



Daily Report

East Asia

FBIS-EAS-95-137
Tuesday
18 July 1995

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Growing Intra-ASEAN Commercial Links Cited

*BK1707152295 Singapore THE STRAITS TIMES
in English 15 Jul 95 p 46*

[Report by Cherian George and Chee Jann Perng]

[FBIS Transcribed Text] After a slow start, joint ventures and technical agreements among major businesses in the Association of Southeast Asian Nations (ASEAN) now exceed U.S. \$800 million (\$1.12 billion [Singapore dollars]) in value.

ASEAN Business Forum [ABF] leaders said yesterday that intensified networking among its 165 member firms had facilitated intra-ASEAN commercial links.

ABF President Aburizal Bakrie noted that prior to the 1990s, trade and investment were minimal between Indonesia and Malaysia and between Malaysia and the Philippines, for example.

"All that has changed. Trade and investment between ASEAN countries continue to grow by leaps and bounds," he said.

Mr. Bakrie, who is also chairman of Indonesia's giant Bakrie Group, was addressing the Fourth ASEAN Achievement Awards banquet last night.

Deputy Prime Minister Lee Hsien Loong, the guest of honour, said that ASEAN governments would lay the foundation for a pro-business regulatory and trading environment. "But it is the private sector organisations, such as the ABF, which must build on these foundations and provide substance to the economic cooperation," he said.

"Governments can't legislate better intra-ASEAN understanding of one another's cultures, values, and mind-sets. Our businessmen need to meet, build confidence in one another, and over time develop sound working partnerships," he added.

At a press conference in the morning, members of the ABF Board of Governors underlined the benefits of intra-ASEAN networking.

Mrs. Jannie Tay, managing director of Singapore's The Hour Glass, said it was through ABF that she had met Ms. Phonthip Narongdet whose company she tied up with in Thailand.

Mr. Suyanto Gondokusumo, head of Indonesia's Dharma Group, also credited ABF for facilitating ventures with Singapore Technologies Industrial Corporation, another member.

The board, which had its annual general meeting the day before, also announced plans to increase its input into governmental decision making.

Mr. Bakrie said ABF members would meet in Singapore in September to firm up proposals to submit to the ASEAN summit in December.

Some of the areas of concern that the board had discussed on Thursday included the lack of convertibility between ASEAN currencies, immigration problems across ASEAN borders, and Indonesia's protection of its retail sector. Mr. Bakrie said that ASEAN Secretary General Ajit Singh had agreed on Thursday to become an ex-officio member of the ABF consultative body. He welcomed the improved links between the ASEAN public sector and businesses.

ABF Executive Director Ranjit Gill said that in formulating the ASEAN Free Trade Area, governments had not consulted the private sector enough. But the ASEAN Secretariat was now aware of the need to understand the business community's views, he said.

Farm Tariffs Delay ASEAN Liberalization

*BK1707141995 Bangkok BANGKOK POST
in English 17 Jul 95 p 19*

[FBIS Transcribed Text] ASEAN trade liberalization faces hurdles owing to the unsettled issue of tariff cuts on non processed agricultural products, according to a Finance Ministry source.

Malaysia would include 1,200 items of timber and tobacco products on its "sensitive" list in the category, causing snags at the ASEAN meeting in Brunei in September, the source said at the weekend.

Earlier, tobacco and timber goods were grouped as agricultural products. But Malaysia refused to abide by the classification, citing technical errors. Goods are deemed "sensitive" if imports carrying relatively low tariffs will damage domestic production of the same items.

The source said Thailand would oppose the Malaysian stand and the disagreement could delay ASEAN's attempt to cut tariffs.

To compromise, Thailand is offering a more flexible time frame for goods classified as sensitive, including non-processed agricultural products. Thailand agreed non-processed farm goods would not have to be subject to 0-5 percent tariffs. The deadline for tariff reductions, set for 2003, could be put back, the source said.

ASEAN has agreed to keep 2,528 items of agricultural goods in the non-processed category. Tariffs for 68 percent of these goods will be cut to 0-5 percent by 2003. About 21 percent of these goods are grouped on the temporary exclusion list. That means ASEAN will

cut the number of goods in this group by 20 percent per year.

The ASEAN meeting in Phuket last April agreed to devise special arrangements for agricultural products

traded within the bloc, in order to minimize the impact of imports on local producers and subsequent political repercussions.

Japan

Kamei, Pena To Meet on Aviation 20 Jul

OW1807042295 Tokyo KYODO in English
0356 GMT 18 Jul 95

[FBIS Transcribed Text] Tokyo, July 18 KYODO — Japan and the United States will hold ministerial talks Thursday [20 July] in Los Angeles to solve the bilateral aviation dispute, Japanese Transport Minister Shizuka Kamei said Tuesday.

The ministerial meeting between Kamei and U.S. Transportation Secretary Federico Pena will be held side by side with a vice-minister-level meeting in a bid to avoid the threatened U.S. sanctions against Japanese airlines, he said.

Kamei remained rather pessimistic about the outcome of the ministerial session, saying that the talks are deadlocked at "the doorway" and "no scenario of solving the problem has been found."

Speaking to reporters after the day's cabinet meeting, Kamei said it is a matter of distribution in the sky of Asia. "We cannot accept an unfair and unilateral call (by the U.S.)," Kamei said, suggesting Japan will not easily compromise on the issue.

He said Japan sees the current bilateral aviation accord is not well balanced, and the problem "should be solved at the same time with the issue of certain air route."

Japan will not accept the U.S. demand alone as a separate issue from the Japanese call of reviewing the accord, he added.

Ministry Official Comments on Aviation Talks

OW1807130995 Tokyo MAINICHI SHIMBUN
in Japanese 18 Jul 95 Morning Edition p 9

[FBIS Translated Text] Tokyo, July 18 — Minoru Toyoda, administrative vice minister of transport, in a regular news conference on 17 July, commented on the stalled Japanese-U.S. aviation talks, saying: "We will engage in discussions with perseverance. We want to decide soon on the next step in the talks." The vice minister thus stressed that Japan plans to exert its utmost efforts, hoping to resolve the issue through dialogue.

He then added: "I think we can come to an agreement, but I am not trying to be optimistic. We are not planning to hold talks under the threat of sanctions. If the United States decides to announce sanctions, it will be difficult to continue talks." In this way, Toyoda disclosed that the talks would be discontinued if the United States announces plans to impose sanctions against Japan.

Regarding the possibility of negotiating a new aviation treaty after annulling the existing treaty and freezing

the status quo of air routes, the vice minister said: "Although we are proceeding with the negotiations while consulting the Prime Minister's Office and the Foreign Ministry, we have not yet brought the issue of annulling the existing treaty up front." He then added: "If the treaty becomes a bottleneck in the negotiations, we will talk about it. There is no need to work out a compromise on this issue while discussing unrelated matters (such as those in which the importance of bilateral ties will be emphasized)." Toyoda thus stressed that Japan will not agree to a compromise unless it will result in a "balanced expansion [of air routes] for both countries."

Background of Aviation Dispute Discussed

OW1807115495 Tokyo ASAHI SHIMBUN
in Japanese 15 Jul 95 Morning Edition p 3

[Article by unidentified reporters: "Entangled Speculation In Asian Aviation Market"; from the "Ever-Changing Moment" column]

[FBIS Translated Text] Tokyo, July 15 — Japan-U.S. vice ministerial talks on aviation issues — which have had rough going over the leading U.S. air cargo company Federal Express Co.'s request to open new routes to Asian nations via Japan — remained at odds on 14 July. The two countries will continue the talks on the morning of 15 July. Transport Minister Shizuka Kamei commented, "We need to hold ministerial talks eventually."

In the 14 July negotiations, the U.S. delegates made no concessions, saying Japan should open new routes first because Federal Express has a vested right to new routes under the Japan-U.S. aviation agreement. Meanwhile, the Japanese side maintained its position that it cannot open new routes for Federal Express unless Japan's demands for concessions, including flights by Japanese carriers from Kansai Airport to the United States, are met.

In the process of preparing sanctions, the United States will hear opinions of those concerned by the end of 14 July (by late morning on 15 July, Japan time). There is a possibility that the United States will come up with details of the sanctions as early as next week and set up a deadline.

Three months have passed since Federal Express asked Japan to open new routes to Asian nations via Japan. Frustrated by long-pending negotiations, the United States is working on imposing sanctions. The following is a report on the background of the negotiations on the growing aviation market in Asia.

On the evening of 14 July, returning from the talks, an adviser to Transport Ministry Masahide Ochi said, "The gap has not been bridged." Meanwhile, Transport Minister Shizuka Kamei, speaking at a news conference, said: "The talks are still far from settlement. If what is impeding the talks is the Japan-U.S. Aviation Treaty itself, it may be put aside."

The Japan-U.S. aviation agreement, signed in 1952, is disadvantageous to Japan because Japan's flight areas are limited. Although Japan has called for revising the treaty since the mid-1970's, it has not been revised. If Japan accepts the U.S. request this time without revising the treaty, the gap will be further widened.

U.S. President Clinton and Federal Express Chairman (Smith) are said to be close friends. At the Japan-U.S. summit last December, President Clinton told Murayama, "Please consider the request of Federal Express," thus taking the Japanese side by surprise. The Japanese side cannot hide its irritation at the United States' way of applying political pressure while planning to impose sanctions.

Philippines — Increase in Flights Key to Development

"We hope that the Japan-U.S. aviation talks will be concluded at an early stage," announced Philippines President Ramos on 3 July.

Subic Bay International Airport, where only 10 to 12 flights a week are provided by Federal Express, was scheduled to go into full operation on 3 July with 40-44 flights a week, along with an increase in Japan-bound Federal Express flights. These increases were postponed due to the Japan-U.S. dispute.

The Philippines Government is promoting a project to redevelop Subic Bay, from which the U.S. Navy withdrew in October 1992. Getting a \$40 million-loan from the World Bank, the government renovated a 2,744-meter runway for an international airport. By using the airport as a hub, Federal Express plans to expand its home delivery business in the Asia-Pacific region, capitalizing on "one-day delivery to 10 cities in Asia after dispatch."

The director of the Subic Bay Development Agency (Richard Gordon) said, "Federal Express Co.'s flight service is not only the key to the development of the airport but also important for arousing the interest of Asian nations." He is awaiting the outcome of the Japan-U.S. negotiations with breathless attention.

Federal Express is also seeking to open new air routes and increase the number of flights from Kansai Airport, which opened last September. Because of its high land-

ing charges, the Kansai Airport has only 60 international flights a day on average, far less than the target of 90.

Tsuneharu Hattori, former vice transport minister and now Kansai Airport president, expressed concern: "As the president of the Kansai Airport, I want to see the negotiations concluded peacefully and flights increased. But as a former transport ministry official, I think Japan should not yield to the United States' unreasonable demands."

An executive of the Kansai Airport said: "To prevent the United States from taking advantage of the airport's helpless condition in the negotiations, we have been strongly asked (by the Transport Ministry) not to direct a sales campaign at U.S. aviation companies."

Thailand — Warning Against U.S. Competitive Power

"If sanctions are invoked by the United States, we shall help Japan," said Aviation Bureau Chief (Surisok) of the Thai Transport Ministry in late June, immediately after the U.S. announcement of planned sanctions, when he took the trouble to visit Tokyo and called on the Japanese Transport Ministry.

Washington's sanction plan is not to allow Japanese flights carrying cargo sent from or loaded in Asian nations to fly into the United States. The Thai Government said that the United States would not be able to impose such sanctions if Japanese airplanes were chartered by a Thai aviation company.

Underlying Thailand's taking sides with Japan is its concern over the possibility that U.S. aviation companies, which have strong competitive power, will expand their business in the Asian market.

As of 1994, U.S. aviation companies account for 53 percent of the world aviation market. Although the U.S. companies are trying to expand their business, many air routes are limited under a bilateral aviation agreement.

To deal with such restrictions, the United States has come up with an "open sky" policy designed to allow the nations involved to make free decisions on opening air and freight routes. In June, the United States concluded an "open sky" agreement with eight nations, including nations in northern Europe.

The United States' most important target is the Asian market. According to one estimate, demand for aviation in the Asia-Pacific region will account for 50 percent of the world demand in 2010. In a meeting of transport ministers from member nations of the Asia-Pacific Economic Cooperation (APEC) forum, the United States insisted that Asian nations should introduce an "open

sky" policy. But this contention brought strong reactions from Asian nations.

Although the issue of an "open sky" policy has not come up on the agenda of the current Japan-U.S. negotiations, each Asian nation sees the current talks as a prelude to full-scale negotiations in which the U.S. side will propose an "open sky" policy to Asian nations.

PHS May Cause Trade Friction With U.S.

*OW1807011395 Tokyo NHK General Television
Network in Japanese 1009 GMT 15 Jul 95*

[Announcer-read report; from "NHK News 7" program]

[FBIS Translated Text] The U.S. Government has asked Tokyo to take measures to help foreign firms enter Japan's PHS [personal handy-phone system] market. In Japan, a company affiliated with NTT [Nippon Telegraph and Telephone Corporation] has begun a PHS service. It is feared that this U.S. demand may rekindle the friction between the two countries over telecommunications.

The new telephone service can be used from inside a building or an underground shopping mall. Two companies, including the NTT subsidiary, began the PHS service on 1 July. Claiming that the PHS telephones the NTT subsidiary will buy are subject to a bilateral agreement aimed at increasing NTT's imports, Washington has demanded that Japan disclose information in advance on the subsidiary's PHS telephone purchase plans to help foreign companies gain access to the new market. The U.S. Government hopes to take up this issue at a bilateral meeting to be held on 21 July to discuss NTT's imports.

Meanwhile, Tokyo has said it would not be appropriate to take up the matter at bilateral talks on NTT procurement because it involves a private company in which not only NTT but also foreign firms have capital stakes.

Because the PHS market is expected to expand greatly from now on, the Japan-U.S. friction over telecommunications business may be rekindled.

Article Views MITI Tactics in Auto Talks

*OW1707130195 Tokyo SHUKAN DAIYAMONDO
in Japanese 15 Jul 95 pp 44-45*

[Article by Tadahide Ikuta from the "Deep Structure of Kasumigaseki" series; part one of a 2-part feature on the Ministry of International Trade and Industry, this one titled: "Prime Minister's Office Asks for Compromise

but Younger Bureaucrats Take Tougher Stand; Inside Story of MITI's 'Auto Negotiations'"]

[FBIS Translated Text] The United States imposes sanctions and Japan files a complaint with the World Trade Organization [WTO]. Such a worst case scenario was averted as International Trade and Industry Minister Ryutaro Hashimoto and U.S. Trade Representative Mickey Kantor reached a last-ditch agreement at the Japan-U.S. auto talks in Geneva on 28 June.

Their agreement came as a surprise, since most media agencies expected that a "breakdown is unavoidable because the United States will never give up numerical targets and Japan will never accept them."

It was indeed an "ambiguous agreement" because, while Hashimoto said "no numerical targets were accepted," certain figures are included as U.S. estimates in the Japan-U.S. joint statement — for example, "\$6.7 billion worth of U.S. auto parts purchased by Japanese automakers," "1,000 dealers in Japan marketing foreign-made vehicles," and "56 percent local procurement in North America by the five major Japanese automakers." The Japanese Government stresses "it was not involved in calculating these figures and has no responsibility for them." Such ambiguity is most likely to result in the two nations forming different interpretations of the agreement.

"This is an agreement to disagree." Yoshihiro Sakamoto, deputy vice-minister of international trade and industry, offered this poor excuse. There is no doubt that the Ministry of International Trade and Industry [MITI] is backing down from its long-held policy that "we will never accept anything that could be interpreted as numerical targets." It has been reported that "MITI rejects numerical targets — all MITI officials are in unison on preparing to file a case with the WTO." Seeing this, one must question what kind of impact and changes this agreement will have on MITI.

MITI Minister Wanted "Compromise" First

With the final negotiations in Geneva set for 28 June approaching, I interviewed more than ten senior MITI officials in late June to ask what they thought of the ongoing Japan-U.S. auto negotiations.

"It is reported that MITI, although this is an unusual case, is determined to file a complaint against the United States with the WTO."

At this time, I interviewed one official of the Machinery and Information Industries Bureau who was busy preparing for ministerial-level negotiations in Geneva. In reply, he gave me a dreadfully serious look.

"The media appears not to fully understand MITI's position — we are worried and desperate to conclude the talks. The true intention of MITI Minister Hashimoto is to conclude the negotiations. Along with this goal of Mr. Hashimoto, Osamu Watanabe, director general of the Machinery and Information Industries Bureau, and Deputy Vice Minister Sakamoto are working hard to find a way to reach an agreement while acting according to our principles. Some say just file the case before the WTO. But as a ministry directly involved in this dispute, we cannot easily take a course which we cannot foresee its outcomes."

Another official of the minister's secretariat also looked gloomy. "In MITI, there exists an impractical argument called 'file it with the WTO.' As our 'principle,' Japan should not yield to the United States' imposing sanctions measures which violate the rules of the WTO. However, even so, is it appropriate to directly link the auto dispute and the WTO? We are bureaucrats, not naive students who might believe such an argument. It would be terribly wrong to think that MITI officials are 'anti-American.' What we truly think is that 'we do not want the United States to act up' because we like that country."

Obviously, some senior MITI officials held a different opinion from the media, which had reported MITI's determination to file the case with the WTO. However, when it came to the auto talks, even these officials said the prospects were very slim, noting that the possibility for the auto talks to be concluded had been reduced.

Only one third of the officials I interviewed thought there would be a settlement in the auto talks, while most younger officials, at division-chief level, in particular, took a hard-line attitude, asserting: "The issue must be brought before the WTO."

Some powerful MITI director-general level official provided his interpretation: "Regarding the Japan-U.S. semiconductor agreement reached in 1991, the United States initiated sanctions saying that Japan did not observe the accord, which stipulated a 20-percent share for U.S. products in the Japanese market as the 'hope of the U.S. industry.' The same thing happened when the Japanese makers' voluntary plan for purchasing auto parts became an issue in 1992. As for the Japan-U.S. auto talks, we will certainly face the same situation if figures are included in an agreement."

"In addition, the Clinton administration thinks that Japan will give in to threats. There is no doubt that the United States will pose various demands which will violate the WTO rules once Japan grants any concessions at the auto talks — for example, its next move will be the imposition of Section 301 of U.S. trade law on

the Japanese film market following Eastman Kodak's allegation directed at Fuji Film.

"But if we continue doing that, Asian countries and the European Union will lose respect for Japan, considering Japan a nation which tolerates a 'violation of the rules.' Therefore, I believe the only thing we can do is to deny U.S. demands, at least this time, and ask for WTO arbitration, no matter how difficult it is."

Several younger division chiefs said in chorus: "Bringing the case before the WTO is by no means an easy way out. What we mean by this is that we will give it a try, even it will cause pain if there is no choice in the matter. One of our officials, Hisashi Hosokawa, the International Trade Policy Bureau director general, respects the rules. He says 'we should take action within the guidelines of WTO rules, but no action that violates the rules must be taken.' Sakamoto and Watanabe, in charge of the auto negotiations, take a realistic approach in their administrative operations. But since they are the people who act upon 'principles,' I do not think they will compromise easily."

Assessment of "WTO Rules" Differs According to Generation and Bureau

"WTO rules" and "principles" — those words are frequently mentioned by MITI bureaucrats when they are talking about the Japan-U.S. auto talks. It seems that the phrase "WTO rules" has now been sublimated to a golden rule for MITI.

From the above, however, it is apparent that discord exists within MITI over the question of how the "WTO rules" should be assessed. Many younger bureaucrats who are less than 45 years old repose absolute confidence in "WTO rules." However, the older generation is divided in its views on "WTO rules."

The assessment of "WTO rules" also differs from bureau to bureau. For example, bureaus in charge of actual work-site operations — such as the Machinery and Information Industries Bureau, which must deal with the auto issue — are not allowed to completely rely on "WTO rules" because they are in a position of being able to know about the concerns and problems of the industry. On the contrary, policy-affairs bureaus, such as the International Trade Policy Bureau and the Industrial Policy Bureau, are relatively free to stick to "principles," and they tend to express their eagerness to solve trade disputes according to "WTO rules."

Nevertheless, such a divergence of opinion among generations and bureaus can be found in any organization. When considering a case in which an organization as a whole tries to eliminate divergent opinions, we can say that MITI is sound-minded.

However, if such discord is linked to factions and personal connections "with a prejudiced eye," this will result in serious divisions within an organization. A middle-ranking senior official of a MITI bureau in charge of work-site operations says: "At present, there is no serious confrontation among factions at the ministry, as some mass media agencies have reported. However, I would be lying if I said that 'the dismissal of Industrial Policy Bureau Chief Masahisa Naito' in late 1993 has not left a heavy remnant of hard feelings in the ministry. We are embarrassed when our opinions are taken as those of the 'so-and-so faction' even though we are just engaging in policy arguments."

In fact, in conducting the interviews with MITI officials, I was left with the impression that the scars of the "Naito case" still exist in MITI. Some weekly magazines have reported on a supposed confrontation "between Osamu Watanabe, chief of the Machinery and Information Industries Bureau, and Hisashi Hosokawa, chief of the International Trade Policy Bureau." Even if this report runs counter to facts, my impression is that a fragile discord exists between the two bureaus.

I was collecting materials on MITI until late in the night of 28 June, the last day of the Japan-U.S. automobile negotiations. Senior officials of both the Machinery and Information Industries Bureau and the International Trade Policy Bureau were busy collecting information on the auto talks via telephone. After 9 P.M., tensions began to be eased in all of the bureaus. At that time, a senior official said: "The talks will be more than 50 percent concluded. This is also the prime minister's intention." In fact, the negotiations resulted in an agreement that night.

In the next issue, I will report on how MITI bureaucrats view the "ambiguous" agreement.

Review of Structural Reform Plan Urged

952B0191A Tokyo SHUKAN ASAHI in Japanese
16 Jun 95 pp 112-113

[Article by Shinji Fukukawa, Head, Dentsu Institute for Human Studies]

[FBIS Translated Text] In China, it is said that "advice is harsh to the ear, but good for the soul; good medicine is hard to swallow, but good for illness."

The Japanese Government filed a suit with the World Trade Organization (WTO) on May 17 in response to the U.S. Government's announcement of a list of Japanese automobiles targeted for sanctions.

The directors of the Organization for Economic Cooperation and Development subsequently took up the auto trade dispute between Japan and the United States at

meetings held on May 23 and 24 in Paris. According to newspaper reports, the United States came under fire for its unilateral sanctions. This criticism was "harsh to the ear" for U.S. representatives, but it is hoped that the United States will learn from the experience.

U.S.-Japanese economic friction entered a new stage when both sides filed suits with the WTO. They are now attempting to resolve the friction based on international trade rules rather than through bilateral discussions.

In this article, I will look back on the various stages of U.S.-Japanese economic friction to date. In summary, economic friction has taken on more sides and become more complex as a result of an expansion of trade between the United States and Japan, the growing interdependence of nations and changes in the terms of international competitiveness.

The first stage of economic friction involves friction over Japanese exports of specialty goods. Japan increased its exports in the 1960's on the strength of low-cost, labor-intensive goods such as sundries and cotton goods. It was able to sell inexpensive goods, for example one-dollar blouses, due to its low wages. This influx of cheap Japanese goods in the United States upset the market balance. The Japanese Government mainly responded to U.S. complaints by asking manufacturers to voluntarily curtail their exports. Eventually, textile trade became a major political issue for Japan and the United States.

The textile negotiations, which began in 1969, dragged on for three years, in part because they overlapped with talks on the return of Okinawa. The issue was finally settled when Japan made a political compromise.

This export friction subsequently expanded into the field of technologically-advanced products, such as color televisions, machine tools, steel, automobiles, semiconductors, and NC [numerical control] machine tools.

The second stage of economic friction centered on the issue of access to the Japanese market. Japan's trade imbalance with the United States has swelled from the start of the 1980's, as a result of an increase in Japanese exports to the United States. The United States attributed the trade imbalance to the closed nature of the Japanese market. Against this backdrop, U.S. criticism of Japan increased, with the United States' accusing Japan of engaging in unfair or hostile trading practices.

In response, Japan took various steps aimed at boosting its imports. For example, it implemented measures aimed at stimulating domestic demand, eased its import restrictions, unilaterally reduced its tariffs, and improved its standard certification system for products. De-

spite this, its trade surplus with the United States failed to contract. Its certification system for metal bats even attracted political criticism during this period.

Before long, U.S. dissatisfaction over Japan's foreign-exchange and financial-trading systems escalated. This led to the formation of the Japanese-U.S. Yen-Dollar Council in November 1983. The council disclosed in May 1984 measures to promote financial liberalization in Japan and the yen's internationalization.

In addition, the United States and Japan began market-oriented, sector-specific (MOSS) talks in January 1985. The United States pressed for greater access to Japanese markets in which it was confident of its competitiveness. These included the market for electronics, electronic communications, pharmaceuticals, medical products, and forestry products (transport equipment was later added to the list). In this case too, the United States and Japan settled the negotiations after numerous stalemates.

At this time, the bilateral economic friction entered a third stage that comprised a complex type of structural friction. Japan initiated measures for structural improvement in anticipation of U.S. criticism, releasing the so-called Maekawa report in April 1986.

However, the U.S.-Japanese trade imbalance failed to subside, despite the yen's strengthening after the Plaza Accord. This prompted the U.S. Congress to pass a comprehensive trade law in 1988, which included the Super 301 clause enabling retaliatory sanctions against countries engaging in unfair trading practices. Thus, it appeared that the U.S. Congress led the political friction.

At the U.S.-Japanese summit meeting in July 1989, the two sides embarked on the Structural Impediments Initiative (SII). After a year of tough negotiations, Japan agreed to implement several measures aimed at breaking down structural impediments. First, it sought to improve its savings-investment balance by stepping up public investment. Second, it improved its distribution system by revising the Large-Scale Retail Stores Law and implementing other reforms. Third, it more closely monitored transactions within complex, horizontal corporate groups known as keiretsu. Fourth, it made efforts to correct discrepancies in Japanese price levels as compared to those abroad.

After President Clinton assumed office, the United States shifted toward results-oriented trade policies. In July 1993, Japan and the United States entered broad trade discussions on macroeconomic issues, sector-specific market access and shared global issues.

Japan and the United States clashed repeatedly over the introduction of objective standards for measuring the

extent to which Japan opened its markets. However, they managed to agree on the issue of access to some general areas, such as insurance. However, the United States stuck to its demand for a promise from Japan to numerically increase auto parts purchases. Consequently, both sides turned the auto trade dispute over to the WTO.

In reviewing U.S.-Japanese trade negotiations in the past, Japan has repeatedly made concessions in a move to avoid political confrontation. Even though U.S. assertions were economically irrational at times, it compromised due to a desire to maintain the unity of the free-trade movement. By compromising, it felt that protectionism in the United States would be curtailed in the end.

Given the pluralization of international society and the growing interdependence of nations, trade friction problems today ought to be judged on the basis of international trade rules. Japan's recent refusal to give in to U.S. pressure has grabbed the attention of both the European Union and other Asian nations.

The WTO will probably rule in favor of Japan concerning the U.S.'s unilateral sanctions on Japanese automobiles and parts. Even if Japan wins in this skirmish, however, the complaints over the closed nature of the Japanese market, as voiced by the United States, Europe and other Asian nations, will remain unanswered by such a ruling.

In ratifying the WTO, the U.S. Congress made it clear that the public good of the United States takes precedence. Consequently, there is speculation that the United States will withdraw from the WTO if the organization's ruling on the auto parts dispute favors Japan. I do not expect the United States to actually withdraw from the WTO, given its standing as one of the world's leading nations. On the other hand, if Japan prefers to resolve trade issues through multilateral trade rules, it must constantly review its own methods to ensure that it too upholds those rules.

Structural reform that begins with the easing of regulations, not the outright abolishment, is no different from good medicine that is "hard to swallow." If Japan does not persevere through this difficult time, it will only isolate itself from international society. This isolation would disrupt the foreign exchange market and trigger a stock market slump, causing the Japanese economy to stall.

It is vital that the Japanese Government thoroughly review its plan for structural reform. In this process, it will probably discover clues for resolving trade friction.

Journal Views Trade Disputes With U.S.

OW1807125795 Tokyo NIHON KEIZAI SHIMBUN
in Japanese 16 Jul 95 Morning Edition p 9

[Article by Editorial Board member Yozo Hasegawa: "The Bureaucracy Still 'Sets the Stage' Behind the Scenes for the Private Sector To Lead Efforts To Defuse Japan-U.S. Trade Dispute"; first paragraph is NIHON KEIZAI SHIMBUN introduction]

[FBIS Translated Text] Tokyo, July 16 — Tokyo and Washington struck a deal at their auto talks after Washington applauded "voluntary plans" worked out by Japanese automakers. An agreement on numerical targets, which Tokyo had vehemently rejected, was postponed. The Ministry of International Trade and Industry [MITI] boastfully claimed, "This time, we effectively used the experience we gained from long, long disputes with the United States in the past." Outwardly, Japanese automakers drew up "voluntary plans," but bureaucratic regulations, changed in form only, remain intact.

"If numerical targets are not inserted in the agreement, the uproar in America will not subside. I hope that Japan will set a numerical target of about 20 percent, the same percentage set for U.S. chip makers in the European market," said U.S. Trade Representative Yeuter. "Some U.S.-made semiconductors are highly competitive; and if U.S. chip makers exert some effort, the share of their products in the Japanese market will increase. I cannot go so far as to commit us to that figure," said Michio Watanabe of MITI.

In May 1986, when Japan-U.S. semiconductor negotiations hit a snag, Watanabe invited Yeuter to a restaurant in Tsukiji, Tokyo, to feel out Washington's real intent. He believed that the Japanese semiconductor industry would not go along with Washington on numerical targets.

In the negotiations, the two sides reached a general agreement that 1) the Japanese Government would monitor the export prices of Japanese-made semiconductors and maintain "fair prices" for semiconductors, and 2) the Japanese Government would set up an organization to promote the importing of semiconductors. But the two sides still had trouble striking a final deal. The United States demanded numerical targets, and how to handle this demand was a sticky issue in the negotiations.

What emerged to break the deadlock in the semiconductor negotiations was a side letter (an attached document), said to have been produced by then Japanese Ambassador to Washington Nobuo Matsunaga. MITI still does not officially acknowledge the existence of the side letter. A government official has shown me a

copy of it that reads, "The Japanese Government recognizes that the United States expects the share of foreign semiconductors in the Japanese market to reach at least 20 percent over the next five years."

As a result, both Japan and the United States signed (the first) Japan-U.S. Semiconductor Agreement in September 1989. However, the United States has since insisted that the "Japanese Government is committed to a 20-percent share of foreign semiconductors in the Japanese market." The side letter was the basis for the U.S. insistence. Shin Kuroda (62), an adviser to Mitsubishi Corporation who served as MITI deputy vice minister at the time, said with chagrin: "The Japanese Government has maintained that whether the U.S. expectations are fulfilled depends on U.S. efforts. The Japanese Government is not committed to a 20-percent share. The U.S. interpretation of a 20-percent share as a Japanese Government guarantee is a misunderstanding of the Japanese Government's good intention. It is a shame to the United States."

At the time, the Japanese semiconductor industry was in the grip of a recession. The U.S. Government took a posture of aggressively assisting the U.S. semiconductor industry that produced strategically important high-tech products, many of which were used to produce defense-related equipment. Gordon Moore, chairman of Intel, a typical U.S. corporation, stated in his book entitled "My Personal History" that "dumping by Japanese firms has reached a point where we cannot tolerate it."

The share of foreign semiconductors in the Japanese market exceeded 20 percent after the two countries concluded the second Japan-U.S. Semiconductor Agreement. The share exceeded the target thanks to efforts by U.S. chip makers to rechart their production strategies towards the MPU (microprocessor unit) and away from DRAM (dynamic random access memory), in which Japanese chip makers were powerful competitors.

On 28 June this year, the Japan-U.S. talks on automobiles and auto parts were settled. At a joint news conference at the conclusion of the talks, both MITI Minister Ryutaro Hashimoto and U.S. Trade Representative Mickey Kantor said: "The Japanese and U.S. Governments welcome Japanese automakers' plans to increase their purchases of foreign-made auto parts. The governments of both countries share the perception that the plans are not Japan's commitment and are not legally binding."

In the automobile and auto parts negotiations, Japanese negotiators held to their position against setting numerical targets because of the bitter aftertaste of the semiconductor negotiations. The method of defusing the

trade dispute through the Japanese Government's regulatory intervention, on which the United States has insisted since the Japan-U.S. Semiconductor Agreement was concluded, seems to have disappeared from the bilateral trade negotiating arena.

Toyota Motor Corporation and other major Japanese automakers announced voluntary plans to increase their production of cars in North America and imports of foreign auto parts. It was U.S. Ambassador to Japan Mondale who maneuvered behind the scenes for settlement through such voluntary plans of the automobile and auto parts talks. The U.S. ambassador met with Toyota Chairman Shoichiro Toyoda at the former's residence in Akasaka, Tokyo. At the meeting, they found clues to settling the auto talks.

In fact, however, MITI set the stage for Japanese automakers to lead efforts to defuse the latest auto dispute while keeping in contact with them. It is said that in late May Toyota, unable to withstand the pressure of the U.S. threat to impose sanctions, began leaning toward a compromise. At the time, MITI vehemently opposed any compromise. Toyota Motor Corporation, well known "for not going along with MITI," capitulated to MITI for the first time.

A top MITI official set the stage for Japanese automakers to present voluntary plans to boost purchases of U.S.-made auto parts, meeting top executives of the Japanese automakers separately while President Bush was holding a summit with Prime Minister Miyazawa in February 1992. "With the U.S. President scheduled to visit Japan, our jostle with top executives of automakers continued to the very end of the year," recalls Yuji Tanahashi (60), who is adviser to the Training Institute of International Trade and Industry and served as MITI vice minister.

After the conclusion of the Japan-U.S. automobile and auto parts negotiations, Seishi Iwazaki (69), president of the Japan Automobile Manufacturers Association, stressed anew that "our automakers announced their voluntary plans under MITI's guidance." Top executives of automakers, who visited MITI to thank Minister Hashimoto for his trouble just after he returned to Japan after wrapping up the auto talks in Geneva, clearly showed their satisfaction with the success of their concerted operations with MITI. The automakers publicly announced the voluntary plans, but it was MITI that had set the stage for the plans. This "invisible administrative guidance" will exert its influence on the voluntary plans' implementation in the future.

BOT To Open Branch in Beijing 18 Jul

OW1707121795 Tokyo KYODO in English
1152 GMT 17 Jul 95

[FBIS Transcribed Text] Tokyo, July 17 KYODO — The Bank of Tokyo will begin operations at its Beijing branch Tuesday [18 July], becoming the first foreign bank to open shop in China's capital.

With an initial workforce of 22, including five Japanese employees, the branch will deal mainly in loans and remittances in foreign currencies.

The Bank of Tokyo has been vying with other foreign banks to be the first to set up a branch. The Chinese Government has allowed foreign banks to set up more than 100 branches in 13 cities, but has been cautious about their advance into Beijing.

Hong Kong's Hong Kong Shanghai Banking Corp. is likely to open an outlet in August. Other banks that have begun procedures to establish branches are France's Banque Indosuez and Citibank of the United States.

Sources say, however, that Citibank's debut in Beijing could be prolonged due to the current strain in U.S.-China relations.

Sino-American ties declined when U.S. President Bill Clinton decided to allow Taiwan president Li Teng-hui to visit his alma mater, Cornell University in Ithaca, New York, last month.

The bilateral relations were also damaged by the July 8 arrest of Chinese-American human rights activist Harry Wu by local police in the central city of Wuhan for allegedly stealing state secrets.

Hashimoto on Yen, Trade Disputes, Other Issues

OW1807043595 Tokyo KYODO in English
0319 GMT 18 Jul 95

[FBIS Transcribed Text] Tokyo, July 18 KYODO — Trade Minister Ryutaro Hashimoto expressed hope Tuesday [18 July] for a "bit more" decline by the yen against the dollar and rise in Tokyo stock prices.

Commenting on the yen's retreat to a three-month low in the range of 89 to the dollar and a roughly 16 percent stock market rebound from its recent nine-year lows, the head of the Ministry of International Trade and Industry (MITI) said, "a little more, a little more, that's my honest hope."

At a regular news conference after a morning cabinet meeting, Hashimoto declined, however, to say how low a yen or high a stock market he hopes for.

On the thorny Japan-U.S. aviation dispute, Hashimoto quoted Transport Minister Shizuka Kamei as saying the negotiations are slated to resume Thursday in Los Angeles, moving up to cabinet level.

After reaching an auto trade deal June 28 with U.S. Trade Representative Mickey Kantor just hours before U.S. trade sanctions would have kicked in, Hashimoto said he could not advise Kamei on the air cargo row, in which the U.S. demands Japan immediately grant new routes to Federal Express Corp.

Negotiations "change depending on your counterpart," Hashimoto said, explaining that he does not know Transportation Secretary Federico Pena. "I truly pray from my heart that (Kamei) will do his best," he said.

Vice ministerial talks ended Saturday without agreement, and Assistant Secretary of State Daniel Tarullo flew home saying he would consider a Japanese request for more talks.

The U.S. says Federal Express and two other carriers have automatic "beyond rights" to fly routes through Japan to other Asian destinations under a 1952 civil aviation treaty, but Japan says granting the requests would further tilt the balance of the occupation-era accord in America's favor and that the accord must be renegotiated.

Hashimoto said anyone who has been transport minister, as he has, must feel that the treaty is "unfair."

Hashimoto said he requested that cabinet ministers discuss ministry requests for the next fiscal year's budget together with a second supplementary budget for the current fiscal year which is expected to be compiled in the fall.

Chief Cabinet Secretary Kozo Igarashi appeared to accept the request, he said.

Hashimoto repeated that he wants the supplement to the fiscal 1995 budget to be large and financed with deficit-covering bonds, but declined to say how big it should be.

"Before we discuss scale, there are issues of quality" that must be addressed, he said, repeating that MITI wants stimulative spending weighted toward high-technology infrastructure projects and research.

How much of the extra budget can be covered by taxes, how much will require bond flotation and what portion can be covered by construction bonds rather than deficit bonds all must be addressed, Hashimoto said.

Discussing the fiscal 1996 budget together with the fiscal 1995 second supplement would allow MITI and

other ministries to tailor their allocation requests more effectively.

Takemura Hints at Intervention To Boost Dollar

*OW1807043895 Tokyo KYODO in English
0350 GMT 18 Jul 95*

[FBIS Transcribed Text] Tokyo, July 18 KYODO — Finance Minister Masayoshi Takemura suggested Tuesday [18 July] that the monetary authorities may step into the market to further boost the dollar against the yen.

Takemura said at a news conference after a regular cabinet meeting that the dollar-yen exchange rate is "still in the process of reversal."

"We will take appropriate and timely actions, if necessary, including market intervention," Takemura said.

The monetary authorities will continue making efforts to stabilize exchange rates by closely watching the recent market direction, he said.

The group of seven industrial nations agreed in April to seek an "orderly reversal" of the dollar's plunge after the U.S. currency dropped below the 80 yen line to a postwar record low.

On fiscal policy, Takemura said the government will be ready to discuss budgetary requests by each government ministry and agency for the next fiscal year, as well as a second supplementary budget for this fiscal year after Sunday's election for the House of Councillors.

Takemura made the remark in response to International Trade and Industry Minister Ryutaro Hashimoto's call for exchange of views among cabinet members on the fiscal 1996 budget and the second extra budget after Sunday's election, he said.

"All will come after the election...We will hammer out a common policy in consideration of severe fiscal and economic conditions," Takemura said.

As to public works spending in the second extra budget, Takemura said such spending should cover a wider range, including not only technology but also education, welfare and the environment.

Turning to France's planned series of nuclear weapons tests in the South Pacific, Takemura said that as a head of new party Sakigake he proposed to the other ruling coalition parties to submit a Diet resolution, after Sunday's election, calling for cancellation of the nuclear tests.

The Social Democratic Party [of Japan] gave immediate approval while the Liberal Democratic Party is ready to seriously study the issue, Takemura said.

Government Front-Loads FY95 Public Works

OW1807063595 Tokyo KYODO in English
0439 GMT 18 Jul 95

[FBIS Transcribed Text] Tokyo, July 18 KYODO — The government had signed contracts for 45.7 percent of the scheduled fiscal 1995 public works projects as of May 31, Finance Minister Masayoshi Takemura reported to the cabinet Tuesday.

Officials said Takemura also told the cabinet that the government is carrying out its plan to "front-load" 75.6 percent of the projects in the fiscal year's first half that ends Sept. 30 as part of the latest pump-priming package.

The 45.7 percent front-loading rate as of May 31 was the second highest on record, following the 46.5 percent for fiscal 1993.

The report by Takemura followed criticism by Yoshiro Mori, secretary general of the Liberal Democratic Party, the largest force in the three-party ruling coalition, that progress in early implementation of the projects has been slow in outlying areas.

Housing Loan Rate Cut to 3.25 Percent

OW1807065195 Tokyo KYODO in English
0529 GMT 18 Jul 95

[FBIS Transcribed Text] Tokyo, July 18 KYODO — The Construction Ministry said Tuesday [18 July] it will lower a benchmark housing loan rate by 0.35 point to a record low of 3.25 percent, retroactive to last Friday.

The step, to be taken amid falling money market rates, is apparently intended to shore up Japan's economy by revitalizing housing starts and other housing investments, a major pillar that has underpinned the economy but has recently shown a slack trend.

The benchmark rate by the government-sponsored Housing Loan Corp. covers loans extended for houses with floor space of 125 square meters or less.

Previously, housing loan rates were divided into two in addition to the key rate according to the size of houses. But the ministry decided to unify them into a single key rate.

Ex-Bureaucrat Reveals Inside Story of MOF

952B0196A Tokyo GENDAI in Japanese Jul 95
pp 210-217

[Article by Motohisa Furukawa, former MOF chief clerk]

[FBIS Translated Text] **Japan's Most Powerful Bureaucrats**

When I first came to the U.S. to study, when someone asked me about my occupation, I would reply, with great pride, "I'm a bureaucrat."

To my surprise, in almost every case, the questioner's response to my reply was a suspicious look. I asked an American friend, "What are the connotations of the word 'bureaucrat'?" I was told, "It means 'someone who does nothing.'" I asked several other people, all of whom told me that the English word "bureaucrat" has only negative connotations. From that time on, when asked my occupation, I answered, "I'm a public servant."

This experience demonstrates how little respect Americans have for bureaucrats. It also told me that American bureaucrats do not enjoy the prestige their Japanese counterparts do.

In Japan, the conventional wisdom is that both politics and the economy are bureaucrat-controlled. Bureaucrats have been involved in everything. Since before World War II, MOF [Ministry of Finance] bureaucrats have acquired a reputation as the "bureaucrats of bureaucrats," and that reputation lives on today. Their power has increased over the years, since the Ministry of the Interior was abolished, and the MOF has had control over the national budget, which has swelled with the expansion of the Japanese economy. The MOF might be termed "the Mt. Olympus of the bureaucrats."

Even after Japan's finances ossified with issue upon issue of government bonds in the late 1970's, the MOF bureaucrats contrived to make it difficult for politicians to interfere in financial administration. After LDP [Liberal Democratic Party] control ended, and a coalition government came into office, the bureaucrats were running the nation, acting as proxies for politicians, who had lost the ability to do so. The MOF bureaucrats have been lampooned because of the tremendous power they wield: "In the old days, it was the Army. Today, it's the MOF."

And what have they accomplished? Four years ago, a number of securities and financial scandals came to light. The ministry entrusted with the supervision of these industries, the MOF, was lambasted by the public, and the decision was made to establish a Securities Exchange Commission, an impartial committee that would monitor the stock market. I was one of the people assigned to a task force (for the monitoring of the securities and financial industries) whose duty it was to set up this commission. When I received notice of my assignment to the task force, one of my superiors warned me, "This is a crisis for the MOF, the likes of which we've never seen before. Be very careful of what you do." This was only four years ago, but the MOF is again confronted with a multitude of problems, some

of them unprecedentedly earthshaking. The ministry is being blamed for not being able to devise policies to end the recession and to hold down the soaring yen. It is warring with the LDP over the consolidation or abolition of special-status corporations under the MOF's jurisdiction. And more scandals have been uncovered, arising from attempts to rescue two credit unions from ruin.

I believe that the underlying causes of the ministry's current woes are the way in which the MOF operates and the nature of the bureaucracy. These problems are not accidents of fate. I am convinced that each and every MOF bureaucrat is performing his duties in the true spirit of the public servant. Even if bureaucrats are intoxicated by all the hospitality lavished upon them, I want to believe that they still haven't lost that spirit. But I must also concede that their once strong sense of mission ("We are the mainstay of this nation, and the nation's interests are our interests") has lost some of its potency. Lurking somewhere in their subconsciouses is the idea that since they've been entrusted with such an important mission, and bear so much responsibility, whatever they do will be condoned.

Why I Resigned from the Taxation Office

Unfortunately, the public sentiment is that the MOF acts not in the national interest, but in the ministry's interest. If the MOF bureaucrats truly had the nation's interests at heart, they would explain their positions to the public, in words that the public could understand, over and over again until they were sure that they were being understood. That is what I believe, and I say this with regret for my own actions while I was at the ministry. It is a shame that bureaucrats, who are also citizens, though they are working as hard as they can under a great deal of pressure for the benefit of the nation's citizens, are not appreciated by those citizens. It is a shame for the citizens as well.

My career at the MOF was short (a little less than seven years), but I had the opportunity to experience in full the life and the mentality of an MOF bureaucrat. Last July, when I received an announcement that I was to be appointed superintendent of the Taxation Office, I submitted my resignation.

Many people asked me why I didn't accept the position. Normally, one would expect that it would be given to someone who has served at the Taxation Office for at least 30 years, worked his way up the ladder, and is about to retire. But this particular position always goes to career bureaucrats aged 28 or 29. It is an opportunity to learn how to rule, since whoever holds the position heads an organization. It is also an opportunity for the MOF to make that bureaucrat feel beholden to it, and to

ensure that he continues to serve the ministry selflessly for the remainder of his career. When MOF bureaucrats were asked what position they'd like to hold again, if given the opportunity, the overwhelming majority would probably answer "superintendent of the Taxation Office." In that position, one is waited upon hand and foot, and can get away with behavior that is more willful than normal.

I followed the advice given in the proverb, "It is a foolish bird that defiles its own nest." I didn't want to leave the ministry feeling obligated. I also wanted to see what I could accomplish, not as a member of an organization, but as an individual. For that purpose, I didn't need to have "former superintendent of the Taxation Office" on my resume.

Since I've resigned from the ministry, I've been observing it as an outsider. During that time, I've begun to have a vague realization of the reasons behind some of the organizational problems plaguing the MOF.

Working Around the Clock

When I told people that I worked at the MOF, their reaction was often, "You people print the money, so I guess you get paid more than other civil servants, and your taxes must be lower." I would respond to such queries with not a little indignation, "My salary is the same as that of other bureaucrats, and my taxes are the same as the ordinary salaried worker's."

At that point, I was convinced that my attitude toward my work was the same as that of an ordinary salaried worker. I'm fairly certain that most of the MOF bureaucrats are of the same opinion. When you've agonized over a policy, and given up more and more of your private life to devote yourself to your work, and the policy is received by the public with hostility, you wonder why you get so little sympathy. You begin to blame them for not understanding. That's how the thought pattern works.

But it isn't like that. The average MOF bureaucrat doesn't think the same way an ordinary citizen does. They exist within a very special microcosm. Of course, they aren't aware of this until they've been away from the ministry for some time. I didn't become aware of the rarefied atmosphere in which I had existed until I abandoned the bureaucratic life.

What sort of microcosm is the MOF bureaucrat's milieu? The best way to describe it is by way of the following three illustrations.

First, the MOF bureaucrat's society is the microcosm that is the ministry. This is where they spend most of their waking hours. That is why they start to imagine

that their world is the same as the outside world. Young bureaucrats, in particular, are forced to work extremely long hours. This "pyramid" phenomenon applies to Japanese society as a whole, but within the bureaucracy, the younger you are, the less possible it is to set your own schedule, and your working hours grow longer and longer. The vast majority of young bureaucrats have no social contact with anyone outside the bureaucracy during the first two years of their careers.

On most days, from the time they go to work in the morning, until they leave the ministry (at 1:00 or 2:00 A.M.), bureaucrats don't take a single step outside the ministry building. They eat lunch at the cafeteria in the main building, and they make do with takeout food, which is delivered to them, for their evening meals. When their workload is so burdensome that they can't go home at night, they commute between their desks and the basement in the main building, where they can take a nap. Since they are prisoners inside the dingy MOF building, the days pass without their knowing whether the sun is shining or it's raining.

When I joined the ministry in 1988, the rooms where the bureaucrats could lie down and rest were of two types. One was a room we called the "morgue," which contained rows of beds and nothing else. The other choice, which we termed the "Okura Hotel," was a number of tiny, private rooms, since the doors had locks. They were marginal improvements over "capsule hotel" rooms. Later, the "Morgue" disappeared, leaving only the "Okura Hotel." The number of rooms in the "hotel" was limited, and getting hold of a key during busy times was a real challenge. The keys were kept in the security guard's office, and were not given out until after midnight. If we thought we wouldn't be able to go home on a particular night, we would rush to the security guard's office at exactly midnight. If we couldn't get a room, we were out of luck. We'd sleep on sofas in offices, or pull some chairs together and sleep on them. Some bureaucrats seemed to prefer sofas or chairs, or even the floor, to the "hotel" rooms.

Now I will describe the daily life of a bureaucrat during the busiest times of the year. He returns to his dormitory only once a week, on Sunday. He does his laundry, and packs a change of clothes. All the other nights are spent at the ministry. After working until after midnight, he takes a break, takes his toilet articles to the communal bath in the basement of the ministry building, and bathes. After his bath, he "dines" on instant noodles. The instant noodles are distributed to each section at budget preparation time for this express purpose. Then it's back to work. The next thing he knows, it's 4:00 A.M. He jokes with his colleagues, "We're leaving on time again today," and then proceeds to his sleeping

accommodations. At 9:15 the next morning, he is rudely awakened by the sound of the alarm clock by his pillow. He gets dressed, buys a sandwich and a beverage at the newsstand, and proceeds to his office. At 9:30, another long, long day begins.

These bureaucrats draft policies which have a tremendous influence on the lives of their fellow citizens. What is the merit of their living lives that are so far removed from the rest of society?

While the bureaucrat is immersed in his work at the ministry, he gradually loses contact with everyone in the outside world, and he begins to think like a bureaucrat. This is brainwashing. By the time he has been promoted, has more freedom to arrange his schedule, and has more contact with the outside world, it is too late. His way of thinking has become inflexible, and he can't divest himself of the bureaucratic mentality. All of his judgments are made within the context of the logic of the microcosm in which he exists, the bureaucracy.

Coddling the Bureaucrats

Second, MOF bureaucrats, in their social contacts, are carefully protected from any encounter that bears even the slightest risk.

Ordinarily, MOF bureaucrats are not exposed to the harsh realities of the world. Most of the people with whom they associate hold a relatively high position in society, e.g., company managers and presidents. Managers and presidents are hardly likely to introduce bureaucrats to dangerous characters. Moreover, the people the bureaucrats meet in this way treat them with extreme deference, and handle them with kid gloves. The bureaucrats come to believe that everyone around them is well-intentioned. Speaking from my own experience, all I had to say was, "I'm an MOF bureaucrat." Even though I was young, the other party would treat me with extreme politeness and kindness. It is likely that even if MOF bureaucrats spoke or acted in a way that would normally be considered unacceptable in society at large, very few people would have the courage to confront them directly. They fear the power behind the MOF bureaucrats.

"People are not bowing to you. They are bowing to your position."

This passage is contained in the "Ten Commandments" of the Budget Bureau. It is probably intended to prevent bureaucrats from succumbing to the delusion that people are bowing to them, personally.

For instance, when the superintendent of the Taxation Office attends meetings, of any sort, and a number of cities, towns, or villages are under that office's

jurisdiction, the prefectural governor takes the place of honor, and the superintendent is seated ahead of even mayors of cities, towns, or villages. When he grows accustomed to such treatment, the Taxation Office superintendent may forget himself at meetings that he is not attending as an official, and occupy the seat of honor. Furthermore, his aides take the greatest care to see that this young MOF official remains unblemished. They do this because their futures hinge on his future (his needs are taken care of by the manager of the Coordination Division, who normally is next in line to head the Taxation Office), but their cautiousness approaches the absurd. The aides do background checks on anyone who is scheduled to meet the superintendent, and if there is the slightest doubt, the introduction does not take place. The superintendent can fulfill his social obligations without any worries. This is, in some ways, a fortunate situation and, at the same time, a deplorable one. The bureaucrat never learns how to judge character. Ordinary citizens are exposed to all sorts of social experiences. They make mistakes, and they suffer from them, but they learn how to judge people. MOF bureaucrats are exposed to almost no such training.

Tokyo University Graduates—The Closed Circle

Third, MOF bureaucrats are a group that is virtually homogenous. The overwhelming majority of them are Tokyo University alumni. There are some bureaucrats who are graduates of Kyoto, Hitotsubashi, Waseda, Keio, and Sophia Universities, but compared with Tokyo University alumni they are definitely in the minority. Often, conversations at the ministry are begun with the assumption that all participants are Tokyo University graduates. For instance, during a legal debate, someone will say, "Didn't Professor X mention that in one of his lectures?" I am a graduate of Tokyo University, so I didn't feel ill at ease, but if I had graduated from another university, I would have felt excluded. Perhaps that is the reason why most politicians who are former MOF bureaucrats are alumni of universities other than Tokyo University. Perhaps their entrance into politics is evidence that they felt out of place at the MOF.

Tokyo University graduates are a very small minority in society, but at the MOF, they form an absolute majority. It is unreasonable to expect bureaucrats who live in such a rarified, homogenous atmosphere to debate issues at the same level as the rest of society.

As long as MOF bureaucrats continue to exist in a microcosm that is closed off from the rest of society, and protected from the outside world, it will be very difficult close the gap between their perceptions and the perceptions of ordinary citizens.

Behind "Band-Aid" Policies

One often hears claims such as the following: "Bureaucrats are members of the foremost think tank in Japan. There is no other organization that can provide information or draft policies better than they can."

In the summer of 1991, when the coup d'état in the former USSR took place, I was working at the Research and Planning Division of the Minister's Secretariat. We set up a duty roster, and worked 24 hours a day in an attempt to obtain information, so that the minister and other MOF officials would be up-to-date on developments in the Soviet Union. We couldn't wait for information to come in from the Foreign Ministry, since it took so long and left a great deal to be desired. We relied mainly on facsimile messages from the NHK television network and from KYODO News Service. By coincidence, one of my contemporaries was assigned to the embassy in Moscow as a secretary at that time. The information I obtained from him was no more useful than what we had received from the media.

The fact is that the central government agencies' information gathering is not as proficient as the public believes it to be. It is not only Japanese bureaucrats who are guilty of this failing. When I was studying in the United States, part of the program I was enrolled in involved visiting the White House and listening to presentations given by National Security Council staff members. During the presentations, they admitted that their source of up-to-date information was CNN.

When bureaucrats draft policies, they spend an inordinate amount of time and effort on checking precedents and on formalities. Unfortunately, not much of their time or effort is devoted to creative pursuits, to innovative thinking.

For instance, let us look at the way in which legislation is drafted. When preparatory work for the establishment of a Securities Exchange Commission was being done, I was involved in amending the Securities Exchange Act. Determining the content of the bill required much less labor than did attending to matters of procedure and form. The drafting of bills is an exercise in formality, and is extremely burdensome.

Here are a few illustrations. The original copy of a bill submitted to the Diet by the MOF cannot be typed on a word processor. The text that has already been inputted into a word processor has to be retyped on a typewriter. I was told that the reason for this particular formality is that the original copy submitted to the Diet must last 100 years. Since the word processor is a recent innovation, there is no guarantee that the text will remain intact for that period of time. For the same reason, special

paper must be used, thin sheets of rice paper with a slick surface, the sort that has traditionally been used for stationery.

Furthermore, the typed document must be proofread for errors and omissions. This is a painstaking, troublesome task. Then many more hours are spent reading the draft aloud to a counselor at the Cabinet Legislation Bureau, making absolutely sure that there are no mistakes. If even the tiniest part of a character is missing, then that page of the draft must be retyped. This sort of work must be done on bills that are submitted to the Diet simply because of tradition. Diet representatives are often criticized because they seldom submit legislation. However, as long as the drafting procedure continues to be laborious, the drafting of legislation will be left in the hands of the bureaucrats, who will continue to spend huge amounts of time on Byzantine formalities.

Today's bureaucrats spend far too much time on routine work. That is why they cannot spend much time at creative thinking, why they cannot draw on their intellectual resources to formulate new ideas. They have so little time for such activities that they can't produce innovative ideas. Doing something new without having prepared sufficiently is risky, so they slavishly follow precedents. The problems remain unsolved, and this process is repeated over and over again.

This is the mentality that gives rise to "band-aid" policies. When a tear is discovered in the fabric of a policy, that tear and only that tear is patched, and forgotten. After a while, there is no more room to apply further band-aids, which is the situation the bureaucrats are faced with now.

The Exodus Society

The Exodus Society's view of the bureaucrats is that they choose to become bureaucrats, and are satisfied with their low salaries, because they can exercise power, and because they are assured of a comfortable position upon retirement. However, when new graduates become bureaucrats, their motives are far less calculating. They choose the bureaucracy because the idea of serving the public is more appealing to them than working for the benefit of a particular corporation. The overwhelming majority of the young people who select the MOF believe that since the MOF is charged with handling the finances of the entire nation, they will have a great deal of responsibility, and therefore, their work will be meaningful.

It is extremely unlikely that young people in their early twenties are choosing a career because of the guarantee of a comfortable retirement job 30 years down the line.

When I graduated from the Legal Faculty of Tokyo University, the department that started out as a training ground for future bureaucrats, I noticed a change in the students there. The conventional wisdom seems to be that the star students in that faculty are the ones who enter the MOF. If you look only at their grades, perhaps that is true. But few of the students I thought of as being especially gifted chose the MOF. Most of them became lawyers or found employment in the private sector. What they say is, "What's the point of having time and money when you're old? I want to have time and money when I need it, while I'm young." This is the prevailing, unapologetic philosophy of those of my generation. Someone who passes the National Law Examination and becomes a liaison attorney can make 10 million yen in a year while he's still in his twenties.

Why did they choose to become poorly-paid civil servants? I don't believe that the thought of the power they might have was totally unattractive to them. But I think the main reason they chose the bureaucracy was that they had conjured up a picture of a career that would be fulfilling. For that reason, students who choose to become bureaucrats are to be commended. Their superiors at the ministry must find a way to raise morale. If not, bureaucrats will lose enthusiasm for their work, and the public will lose confidence in them. We may even see a lowering of the quality of aspiring bureaucrats.

Glass Dolls on a Pedestal

Having observed the barrage of criticism fired at the MOF, I have come to believe that Japan's bureaucrats are glass dolls on pedestals.

Their toughness, which enables them to deflect the criticism heaped upon them, and their innocence in their sheltered existence, isolated from society, remind me of glittering, transparent glass dolls.

MOF bureaucrats, key figures in Japan's consistent economic growth since the end of World War II, have been glass dolls standing on a solid, steady pedestal. During that time, they've gotten away with being glass dolls. But now that economic growth has halted, and Japan has reached a turning point, the pedestal upon which the MOF bureaucrats stand has become extremely unstable. It may crack and collapse at any time.

Our politicians must steer the ship that is Japan, the ship that is drifting on the endless seas without a destination. Politicians who are capable of innovative thinking must decide on the ship's new course, and guide it on its way. MOF bureaucrats have still not outlived their usefulness. They have a grand mission to accomplish in preparing Japan for the future. However, as long as they continue

to be glass dolls, they are paving the way for their own destruction.

In order to prevent that eventuality, bureaucrats must be "released" from the ministry. If they are thrown into the harsh reality of the outside world, they will acquire strength of character.

As a citizen of this nation and a former MOF bureaucrat, I pray that I never see the day when public trust in these bureaucrats is completely destroyed, and they are accused of being do-nothings.

Tamazawa Opposes SDPJ Defense Spending Plan

OW1807065895 Tokyo KYODO in English
0632 GMT 18 Jul 95

[FBIS Transcribed Text] Tokyo, July 18 KYODO — Defense Agency chief Tokuichiro Tamazawa said Tuesday [18 July] he opposes drastic curbs on defense spending as proposed last week by the Social Democratic Party [of Japan] (SDP) [SDPJ], suggesting the situation in east Asia is unstable.

He said that the limits on spending increases being proposed for the next fiscal year should also be set aside since the Japanese people have come to expect more from the Self-Defense Forces (SDF) in disaster relief efforts and antiterrorist activities.

The SDPJ proposed last week that the increase in defense spending for the new fiscal year, beginning next April 1, be held down to less than the 0.855 percent rise for the current fiscal year, but its ruling coalition partner Liberal Democratic Party (LDP) responded that such a cap would be "impossible."

"The (military) situation in neighboring nations is unclear and unsettled. So, from the viewpoint of saying that we should reduce our military first, we should not take the position of limiting the rate of increase to less than the previous fiscal year," Tamazawa told reporters.

Tamazawa noted that except for some down payments, the costs for new front-line equipment are to be paid in several annual installments after the year when purchase contracts were signed.

"And with an increase in personnel costs, it is impossible to consider a contraction of the rate of growth (in defense spending)," he added.

Alluding to the SDF's efforts in disaster relief and antiterrorist activities, Tamazawa stated, "we should not take the view of reducing the activities of the Self-Defense Forces when the expectations of the people are great."

The defense spending controversy was triggered when SDPJ Secretary General Wataru Kubo proposed last

Thursday that the pace of growth in defense spending for fiscal 1996 be kept below the 0.855 percent for the current fiscal year.

Koichi Kato, chief of the LDP's Policy Affairs Research Council, the following day called the idea "impossible."

The Defense Agency took sides with Kato, citing obligatory outlays on big-ticket defense equipment carried over from past years and required for the next fiscal year.

The three ruling-coalition parties — the SDPJ, LDP and New Party Sakigake [Harbinger] — agreed last year to keep defense spending growth down to 0.855 percent for fiscal 1995 after considerable bickering between the conservative LDP and pacifist SDPJ.

Ruling Parties To Seek Antinuclear Diet Motion

OW1807094695 Tokyo KYODO in English
0829 GMT 18 Jul 95

[FBIS Transcribed Text] Tokyo, July 18 KYODO — The governing coalition decided Tuesday [18 July] to seek adoption of a parliamentary resolution calling for a total ban on nuclear testing, a top government spokesman said.

Chief Cabinet Secretary Kozo Igarashi told a news conference that leaders of the three coalition parties agreed on the need for a Diet declaration on banning nuclear testing at their meeting earlier Tuesday.

The three are Prime Minister Tomiichi Murayama of the Social Democratic Party (SDP), Deputy Prime Minister and Foreign Minister Yohei Kono of the Liberal Democratic Party and Finance Minister Masayoshi Takemura of New Party Sakigake.

The move came in response to France's recent decision to resume nuclear experiments in the South Pacific from September. Takemura first floated the idea Monday of passing through the Diet a resolution seeking cancellation of the French nuclear testing.

Murayama will call for such a motion Wednesday when he visits the world's first atom-bombed city of Hiroshima in western Japan as part of his stumping tour for Sunday's House of Councillors election, Igarashi said.

Hiroshima suffered the world's first nuclear attack ever from the United States on Aug. 6, 1945.

Murayama pressed French President Jacques Chirac to reverse his decision to restart nuclear testing when he went to Paris last month. But France has not shown any sign of dropping its test plan.

Earlier in the day, Kono said the government is considering measures to show its strong disapproval of France's decision to resume nuclear testing in the south Pacific.

Kono expressed a negative view, however, toward suggestions by Takemura to boycott French products as proposed by opposition leader Toshiki Kaifu.

Kono told a press conference the government should take appropriate measures such as conveying its stance through high-level government contact or through diplomatic channels.

Murayama's aides and Foreign Ministry officials are currently discussing possible measures Japan could take in protest of French nuclear testing, he said.

Murayama's Election Strategy Viewed

*OW1807091495 Tokyo EKONOMISUTO in Japanese
25 Jul 95 p 18*

["Line Up" column by Keizo Nakamura, MAINICHI SHIMBUN editorial writer: "Prime Minister's Last Gamble"]

[FBIS Translated Text] Prime Minister Tomiichi Murayama is repeating that the break-even point for the Social Democratic Party of Japan [SDPJ] is "the level achieved in the previous election in 1992."

In the 1992 election, the SDPJ only got 22 seats, and this was regarded as the worst defeat in its history. Compared with the SDPJ's election records, Murayama's target seems to be an easy goal to avoid future demands for his resignation.

However, the SDPJ lost half of its seats in the 1993 lower house election, and it was also badly defeated in the nationwide local elections last April. So far, every public opinion poll predicts the SDPJ's defeat in the upper house election.

Under such circumstances, some speculators say "Murayama is probably considering his resignation after the upper house election." However, the truth is the high target is the last gamble for Murayama and his close associates.

Since late May, Murayama and his aides have occasionally discussed what would be a desirable target for the upper house election. Most of Murayama's aides insisted Murayama should set a low target, or mention no targets, since Murayama's failure to achieve high targets might result in his resignation.

Yet, Murayama ventured to set the target at "the number won in the 1992 election."

Murayama feels a low target may be regarded as a sign of his desire to stick to the premiership no matter what the election results. However, a high target would give the impression that Murayama does not care about his own survival. Moreover, Murayama's opponents in the party would consider Murayama's resignation following a defeat in the election would become a fatal blow to the party. Murayama's real intention is to stimulate SDPJ rightists' sense of crisis to obtain the best result in the election.

SDPJ rightists are critical of the Liberal Democratic Party [LDP]-Sakigake [Harbinger] coalition. Some once showed their intention to seek survival in a tie-up with Shinshinto [New Frontier Party], just like former SDPJ Chairman Sadao Yamahana. However, both Shinshinto and the LDP have already determined candidates for the next lower house election in almost all districts, and SDPJ members now consider the SDPJ should carry out party reconstruction by itself. This is why they have recently begun to say Murayama should not be urged to resign even if the SDPJ loses in the upper house election.

If the antagonism between the LDP and Shinshinto is regarded as the ongoing election's focal point, voters will pay no attention to SDPJ candidates. The growing concern over the possibility of Murayama's resignation will attract voters' attention to the presence of SDPJ candidates in all election districts. To win elections, candidates should take part in one side of two confronting powers. The worst situation is to be regarded as just an observer.

After Murayama's declaration of a high level break-even point, many LDP members began to say "the SDPJ-led coalition should be maintained even if it loses in the election."

As a matter of course, the LDP wants to win back the premiership from the SDPJ. However, the LDP has to take a posture to support Murayama as long as the LDP attaches importance to the coalition with the SDPJ and Sakigake. Such LDP commitments will become helpful tools for the SDPJ to maintain its leadership in the post-election political scene.

It is still uncertain what the result of Murayama's gamble will be. However, it is quite clear that Murayama is unlikely to be able to remain in his post if the SDPJ cannot keep over 15 seats.

Upper House Election Outlook Reported

952B0195A Tokyo SENTAKU in Japanese Jun 95
pp 48-49

[FBIS Translated Text] The 17th upper house election is drawing near. Unless the current Diet session is prolonged, the program of "posting the public notice on 6 July and conducting the voting on 23 July" will be implemented as scheduled. The upcoming upper house election is the first national election to be held simultaneously throughout the nation since the Liberal Democratic Party [LDP]'s one-party rule collapsed and the restructuring of the political world began. It is an election in which the people will pass judgment for the first time on the three-party coalition cabinet system formed by the LDP, the Social Democratic Party of Japan [SDPJ], and Sakigake [Harbinger] and also on Shinshinto [the New Frontier Party] organized toward the end of last year.

The results of the election will directly affect the life or death of the Murayama regime. Moreover, it will augur the ups and downs of various parties, including Shinshinto, and will greatly affect the next lower house election and another restructuring of the political world as well. Especially, for the SDPJ which is expected to reach a low ebb, a dispute may surface, depending on the outcome of the election, over the responsibility of Prime Minister Murayama, the party's chairman.

Six years ago, 46 SDPJ members won in the upper house election, thanks to the effects of the Recruit scandal and the "anticonsumption tax furor," but the number of seats won decreased by half to 22 seats in the election held three years ago. However, in light of past performances, the showing three years ago will more closely reflect the SDPJ's real power than the number of winners six years ago who are up for reelection in the upcoming poll. Such being the case, the following view has been expressed from the side of the LDP, to say nothing of the SDPJ executive leadership: "In the upper house election, the SDPJ's fate hangs on whether it can secure 22 seats, the same number of seats as it captured three years ago" (LDP Vice President Keizo Obuchi).

On the other hand, anticipating the SDPJ's hard fight, a leading LDP member supporting the Murayama government pointed out that "what forms the watershed between the Murayama coalition government's victory and defeat is whether the LDP, the SDPJ, and Sakigake can obtain over 74 seats together—their total seats now up for grabs.

SDPJ's Crushing Defeat Is Inevitable

What will the results of the upper house election be?

The following prediction of the election results is based on analyses by those engaged in practical work at the election countermeasure headquarters of various parties. First, the election will be carried out in 47 metropolitan and prefectural constituencies. Of them, as to 24 single-seat constituencies, the LDP is highly likely to win in around 15 constituencies including that of Wakayama. Especially, in all of the four Shikoku region prefectures, LDP candidates seem to lead, partly because of Shinshinto's delay in putting up its candidates.

The SDPJ may possibly win in two or three constituencies such as Oita where it gets support from both the LDP and Sakigake and also Tottori where the LDP is fielding its candidates belatedly.

Shinshinto is considered to have an edge in Aomori where its candidate defeated the LDP candidate in the gubernatorial election and in Iwate which is Secretary General Ichiro Ozawa's native place. In addition, in Nara as well where the three ruling parties are putting up a joint candidate, many view that Shinshinto's incumbent Mr. (Yukihisa) Yoshida (former Democratic Socialist Party Diet Policy Committee chairman) is "a step ahead of others" (the LDP Election Countermeasure Headquarters) by making the most of his wide fame.

The Democratic Reform Parliamentary Group which, backed up by Rengo [the National Confederation of Trade Unions], made a great stir through sudden popularity six years ago has nine incumbents up for reelection this time, and among them, seven members are running in single-seat constituencies. Shinshinto is endorsing five of them on condition that "they shall not run under the blessing of the SDPJ," and Mr. Takashi Awamori in Ishikawa and Mr. Tasaburo Furukawa in Fukui are likely to have a chance of winning. And concerning Mr. Yasumatsu Hoshikawa in Yamagata who has received the endorsement of the SDPJ, his election hangs on whether the LDP will give up a plan to field its own candidate and lend its cooperation to him.

There are 18 two-seat constituencies. The LDP has narrowed down its endorsement to one candidate in each constituency to avoid seeing its candidates cutting each other's throats except in Kumamoto where the party has endorsed two candidates. As a result, the party is likely to secure a seat in each of the 18 constituencies if things go smoothly.

The focal point is to whom the other seat in each constituency will go. There is a strong probability that the SDPJ, which has thus far divided up seats with the LDP, will suffer a great setback in these two-seat constituencies. For the present, it appears that the SDPJ will secure seats at around four places including the party's foothold Hokkaido and Kagoshima where

General Secretary Kubo runs. In the other areas, it is highly likely that victories will be shared between the LDP and Shinshinto, and Shinshinto is expected to win 12 or 13 seats in the two-seat constituencies.

There are four three-seat constituencies. Of them, Saitama is the only constituency where the LDP, Shinshinto, and the SDPJ are likely to smoothly divide the three seats among them—one seat for each. In Kanagawa, running alongside the LDP's incumbent Kiyoharu Ishiwata will be Akira Matsu from Takarazuka and writer Yoshimi Ishikawa who are to be supported by Shinshinto and Sakigake respectively. A close battle is likely as the campaign will also be joined by another candidate—blue-eyed Yugawara-machi Assemblyman Mr. Marutei Tsurunen (an independent) hailing from North Europe and naturalized in Japan. Moreover, in each of Aichi and Osaka, an entertainer-turned candidate is expected to win a seat in addition to LDP and Shinshinto candidates.

In Tokyo, to which four seats are assigned, the LDP, Shinshinto, and the Japan Communist Party [JCP] have decided on their ticketed candidates, and in addition to them, incumbent Mr. Hideo Den (the Forum of Liberals Defending the Constitution) and Mr. Chinpei Nozue (an independent) are also preparing to run. The LDP and Shinshinto, expected to garner many basic votes, will have a relatively favorable fight because each of them has narrowed down its endorsement to a single candidate. For all parties, however, it is "totally impossible to guess" (a leading Shinshinto member) what moves the uncommitted voters, who gave birth to Tokyo Metropolis Governor Aoshima, will make in the upper house election.

Another point is whether the SDPJ can even put up its candidate, aside from the question of victory or defeat. Should it fail to field a candidate in the capital city, its centripetal force will further diminish, and its "drifting into dissolution" may be accelerated.

What will the election for proportional representation be like?

As of late in May, the LDP had decided on 18 ticketed candidates; Shinshinto, 23; the SDPJ, 11; Sakigake, one; and the JCP, 16. Considering respective parties' targeted numbers of winners, it may well be said that they, except Sakigake, have virtually finished their work of putting up candidates.

Three years ago, the LDP had 18 winners through proportional representation; the SDPJ, 10; Komeito, eight; the JCP, four; the Japan New Party [JNP], four; the Democratic Socialist Party [DSP], three; and the Niin Club and the Sports Peace Party, one each. The up-

coming election greatly differs in that the LDP has split and Komeito, the JNP, and the DSP are to fight under Shinshinto's signboard. Because the political situation is utterly different, predictions based on past data have a limit; however, putting all estimates by actual election campaign workers together, the following guess may represent a yardstick: the LDP, 18; Shinshinto, 12; the SDPJ, seven; the JCP, four; Sakigake, three; and small-sized parties, six.

It Will Mark Start of Political Turmoil

Concerning proportional representation, abstention and invalid votes are likely to increase because of eligible voters' strong distrust of existing parties. At the same time, there is a possibility that, aiming at uncommitted voters, too many virtually-single-membered small parties like the Sports Peace Party will run and obtain a considerable number of votes.

In addition, it is also expected that regional parties—like the "Tokyo 21" which lower house member Mari Umieda organized with Tokyo as its power base—will form a coalition and put up candidates. The LDP Election Countermeasure Headquarters warns against this possibility, saying that "if such parties emerge afresh, a situation may be created where small-size parties win a total of more than 10 seats."

By putting together the outlooks of those related to various parties and by stacking up predictions of election results in metropolitan and prefectural constituencies and proportional representation, we may reach the following estimation as to the numbers of seats to be obtained by respective parties in the upper house election: about 55 seats for the LDP, about 35 seats for Shinshinto, about 15 seats for the SDPJ, about five seats for the JCP, about three seats for Sakigake, and about 13 seats for independents and others.

Of course, it is needless to say that the election results will largely be affected by future moves to put up candidates in constituencies where candidates have not yet been decided, by candidacies of new, powerful independents, and further by the turnout of voters. Especially, as was shown in unified local elections, unexpected results may be produced, depending on for whom uncommitted voters, exceeding 50 percent of the total eligible voters, will cast their ballots.

However, as to the SDPJ, there is an extremely high possibility that it will not only fail to retain its 22 seats contested—a number that decides its victory or defeat—but also the number of seats it will capture may drop even below 20. And, concerning the coalition government as well, the situation is too subtle to allow predictions as to whether the three ruling parties will be

able to win more than their total 74 contested seats, the number of seats which decides their victory or defeat.

As long as the SDPJ fails to realign its preparedness extensively before the upper house election, it appears that Prime Minister Murayama will be unable to escape his responsibility as chairman of the SDPJ. Guessing Murayama's resignation after the upper house election, some members are already making various active moves toward the "post-Murayama" era within the LDP. When the upper house election draws closer and in case it becomes evident that the SDPJ cannot recover from its inferiority in strength, the possibility cannot be ruled out that Prime Minister Murayama may step down in a preemptive move, immediately after his return from a summit meeting (of advanced countries) in the latter part of June at the earliest. The upper house election will become a signal gun denoting the start of political turmoil.

North Korea

Mun Ik-hwan's Widow Continues Visit

Tours Mt. Myohang

SK1807050795 *Pyongyang KCNA in English*
0427 GMT 18 Jul 95

[FBIS Transcribed Text] Pyongyang, July 18 (KCNA) — Pak Yong-kil, widow of Rev. Mun Ik-hwan, chairperson of the 70 million Korean people's meeting for embracing national unification and co-chairperson of the Family Movement for Realizing Democracy in South Korea, toured Mt. Myohyang on July 15 and 16.

She was accompanied by a Japan-resident Korean Chong Kyong-mo, representative of the magazine SSIALUI HIM, and Chang Chae-chol, chairman of the Korean Religionists Association.

She made a bow before the statue of the great leader President Kim Il-song standing in the General Review Hall of the International Friendship Exhibition.

She went round gift halls, being briefed on the gifts to President Kim Il-song and the great leader Comrade Kim Chong-il presented by party leaders and heads of state and government, political and public figures of different countries in humble reverence.

After the visit, she wrote in a visitor's book.

She saw round historical relics on Mt. Myohyang and had a rest, sightseeing the mountain.

While touring Mt. Myohyang she hit off and recited a poem "Mt. Myohyang".

Visits Nursery, Hospital

SK1507053995 *Pyongyang KCNA in English*
0526 GMT 15 Jul 95

[FBIS Transcribed Text] Pyongyang, July 15 (KCNA) — Presbyterian Pak Yong-kil, chairperson of the 70 million Korean People's Meeting for Embracing National Unification and co-chairperson of the Family Movement for Realising Democracy in South Korea, staying in Pyongyang, visited the Kim Chong-suk Nursery on Friday [14 July].

The widow of Rev. Mun Ik-hwan was accompanied by Chong Kyong-mo, a Japan-Korean resident and representative of the SSIALUI HIM (potentials of seed) office, and Chang Chae-chol, chairman of the Korean Religionists Association.

She was told of stories of love associated with the nursery and saw round education rooms.

She joined children in dancing.

On the 14th, she visited the Pyongyang Maternity Hospital and expressed her deep impressions of it.

Leaving the hospital, she made an entry in a visitor's book.

Koreans From Japan Visit Han Tok-su University

SK1507054695 *Pyongyang KCNA in English*
0528 GMT 15 Jul 95

[FBIS Transcribed Text] Pyongyang, July 15 (KCNA) — A delegation of Koreans from Japan Friday [14 July] visited Han Tok-su University of Light Industry.

It has come here to honor the memory of the great leader Generalissimo Kim Il-song on his first death anniversary.

The Pyongyang University of Light Industry, a training centre of technicians in light industry, was renamed Han Tok-su University of Light Industry in May last.

The delegation headed by Han Tok-su, chairman of the Central Standing Committee of the General Association of Korean Residents in Japan (Chongnyon), went round laboratories and practice rooms of the university and expressed the hope that the university will achieve great success in the development of the nation's light industry and education for training technical personnel.

Feted at Mokran House

SK1507055795 *Pyongyang KCNA in English*
0548 GMT 15 Jul 95

[FBIS Transcribed Text] Pyongyang, July 15 (KCNA) — A banquet was given at the Mokran House on Friday

[15 July] in honor of the delegation of Koreans from Japan, which has come here to honor the memory of the great leader Generalissimo Kim Il-song on his first death anniversary.

The banquet was arranged by the great leader Comrade Kim Chong-il.

Members of the delegation headed by Han Tok-su, chairman of the Central Standing Committee of the General Association of Korean Residents in Japan (Chongnyon), was present at the banquet.

It was addressed by Kim Yong-sun, chairman of the Reunification Policy Committee of the Supreme People's Assembly and secretary of the Central Committee of the Workers' Party of Korea.

He said respected General Kim Chong-il is the great sun, who has indicated the road ahead of Chongnyon with brilliant rays of *chuche*, led the movement of Koreans in Japan to a victory and taken a warm care of the Chongnyon officials and Koreans in Japan as the fatherly leader Comrade Kim Il-song did.

As led by respected General Kim Chong-il, Chongnyon will strengthen and develop into a patriotic organisation of *chuche* forever and Koreans in Japan add lustre to the dignity of the Kim Il-song nation in an alien land of capitalism as well as the honour of being pioneers of the *chuche*-based movement of Koreans overseas, he said, and continued [as received]:

Respected General Kim Chong-il is the destiny of our country and our nation and the destiny of Chongnyon and Koreans in Japan. He is a symbol of all victories, glory and happiness.

In conclusion, Kim Yong-sun expressed the belief that Chongnyon officials and Koreans in Japan will, in the future, too, get united around respected general Kim Chong-il in one mind, remain faithful to his idea and leadership and strengthen and develop Chongnyon into his patriotic organisation which really serves the *chuche* revolutionary cause.

Chief Vice-Chairman Ho Chong-man of Chongnyon Central Standing Committee spoke next.

He said:

The respected leader Comrade Kim Il-song devoted his whole life to the country and people, brought them all honor and happiness, and put up General Kim Chong-il as the eternal sun in the times and history; we will, from the bottom of our hearts, hold him in esteem forever as the saviour of the destiny, the father of socialist Korea and the tender-hearted father.

Respected General Kim Chong-il is the benefactor of immortality who made sure that Comrade Kim Il-song remains long in harmonious integral whole of kinship with our country and our people. He is an outstanding great sage who has fully demonstrated throughout the world the prestige of the eastern socialist country of good manners.

As ours is the country of the general and as ours is his people, Chongnyon is that of the general.

We will cherish this immutable truth deep in their hearts and firmly consolidate Chongnyon, a valuable revolutionary legacy bequeathed by Comrade Kim Il-song, into a *chuche*-based patriotic organisation loyal to the idea and guidance of the respected general.

He also vowed to carry through the tasks laid down in the historic letter sent by the respected general on the occasion of the 40th formation anniversary of Chongnyon, make great contributions to the prosperity and development of the country and the motherland and reunification of the country in the 90s and thus exalt the movement of Koreans in Japan which has greeted the era of the general as a model of patriotic loyalty and the world movement of nationals overseas forever.

Depart Pyongyang

SK1607090795 Pyongyang KCNA in English
0822 GMT 16 Jul 95

[FBIS Transcribed Text] Pyongyang, July 16 (KCNA) — The delegation of Koreans in Japan left here on Saturday after honoring the memory of the great leader Generalissimo Kim Il-song on his first death anniversary.

It was seen off at the airport by Kim Yong-sun and officials concerned.

Before leaving here, the delegation called at Kumsusan Memorial Palace where President Kim Il-song is preserved in state, to pay tribute to him.

Journalist Group From Japan Arrives

SK1707103795 Pyongyang KCNA in English
1012 GMT 17 Jul 95

[FBIS Transcribed Text] Pyongyang, July 17 (KCNA) — A delegation of journalists of the General Association of Korean Residents in Japan, home-visiting groups of Korean students in Japan and the 240th short-term home-visiting group of Korean residents in Japan arrived in Wonsan on July 16 by a ship for a visit to the socialist homeland.

Vice President Yi Meets Bangladesh Delegation

*SK1707105395 Pyongyang KCNA in English
1015 GMT 17 Jul 95*

[FBIS Transcribed Text] Pyongyang, July 17 (KCNA) — Yi Chong-ok, member of the Politburo of the Central Committee of the Workers' Party of Korea and vice-president of the DPRK, today met and had a friendly talk with the delegation of the Bangladesh National Socialist Party headed by Hasanul Huq Inu [name as received], general secretary of the party, at the Mansudae Assembly Hall.

Hasanul Huq Inu said at the talk that President Kim Il-song was the great leader who enjoyed reverence and love from the world people as well as the Korean people.

Saying that the immortal exploits performed by the great leader President Kim Il-song for humankind will be handed down generation after generation, he expressed the belief that the revolutionary cause pioneered by the president will be successfully carried forward by the great leader Comrade Kim Chong-il.

He noted that his party will continue to invariably and actively support the righteous cause of the Korean people struggling for national reunification and socialist construction.

Anniversary of Ties With Tunisia Observed

*SK1607091195 Pyongyang KCNA in English
0827 GMT 16 Jul 95*

["20th Anniversary of Establishment of DPRK-Tunisia Diplomatic Relations Observed" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, July 16 (KCNA) — NODONG SINMUN today observes the 20th anniversary of the establishment of diplomatic relations between the DPRK and Tunisia.

The friendship between the two countries has developed on good terms over the 20 years after establishment of the diplomatic relations on July 16, 1975, a signed article says, and goes on:

Tunisia is striving hard to develop friendship and cooperation with Arab, African and other developing countries.

The Korean people are sincerely rejoiced over the successes made by the Tunisian people in the building of a new society and fully support the just stand of the government and people of Tunisia.

To develop the friendship between the DPRK and Tunisia accords with the interests of the two peoples.

The Korean people will further develop the friendly and cooperative relations with the Tunisian people in

accordance with the idea of independence, peace and friendship.

WPK Wishes Colombia's Communist Party Success

*SK1707044495 Pyongyang KCNA in English
0437 GMT 17 Jul 95*

[FBIS Transcribed Text] Pyongyang, July 17 (KCNA) — The Central Committee of the Workers' Party of Korea [WPK] sent a message of greetings on July 16 to the Central Committee of the Communist Party of Colombia on the occasion of the 65th anniversary of the party foundation.

The message says the Communist Party of Colombia has made a great progress in the struggle to consolidate unity and cohesion of the party and for the democratic rights of the working masses and the country's independent development over the past 65 years.

Expressing the belief that the excellent friendly relations forged between the two parties will in the future be further strengthened and developed in conformity with the idea of independence, peace and friendship, the message wishes the Communist Party of Colombia great success in the struggle for independence against imperialism and for socialism.

United Nations Officials Visit Pyongyang

Meet With Foreign Minister

*SK1807051095 Pyongyang KCNA in English
0429 GMT 18 Jul 95*

[FBIS Transcribed Text] Pyongyang, July 18 (KCNA) — Vice-Premier and Foreign Minister Kim Yong-nam on Monday met and had a conversation with Mactar Amadou Cisse and Petra Maarit Kohonen, assistants to the special reporter against violence of women of the United Nations.

During their stay here, the guests visited Mangyongdae, the Tower of the Chuche Idea, the Korean Central History Museum, the Pyongyang Metro and other places.

Join Talk on Comfort Women

*SK1807104895 Pyongyang KCNA in English
1007 GMT 18 Jul 95*

[FBIS Transcribed Text] Pyongyang, July 18 (KCNA) — A round-table talk of assistants to the special reporter against violence of women of the United Nations and historic and law scholars of the Democratic People's Republic of Korea was held in Pyongyang on July 17.

At the talk Korean scholars cited historical facts to prove the criminal character of the issue of the "comfort

women for the army" drafted by the Japanese imperialists, compensations to them and the unjustifiable attempt of the Japanese Government to evade its responsibility.

Prof. and Dr. Yi Chong-hyon of the History Institute of the Academy of Social Sciences said that Japan is vociferating about "civilian fund" and "consolatory present of money", while evading its responsibility for the "comfort women for the army" issue, an international crime caused by its policy of exterminating other nations.

"Consolatory present of money" with the "civilian fund" is unjustifiable because it is only for a few survivors, Yi Chong-hyon said, and continued:

An overwhelming majority of the "comfort women for the army" were killed by the Japanese imperialist aggression army's assaults. To exclude them from compensation for victims is an insult to them and an act of refusing the compensation.

We resolutely object to the payment of "consolatory money" in the form of "civilian fund" because it cannot prevent the recurrence of such a crime as the "comfort women for the army" issue.

Dr. Chong Nam-yong of the Law Institute of the Academy of Social Sciences said:

The "comfort women for the army" issue committed by the Japanese imperialists is a crime against humanity and a war crime.

These crimes fall under the articles of regulations of the Nuremberg International Military Tribunal and the Far East International Military Tribunal.

The Japanese imperialists' draft of "comfort women for the army" is a war crime committed in territories under their military occupation. Any regulation on prescription is not applicable to their crime.

Chong Chun-kyong, secretary of the Korean Democratic Lawyers Association, said that the criminal case of the "comfort women for the army" is a matter which must be solved by the Japanese Government on its responsibility in view of international law. He cited historical documents and testimonies to expose that the old Japanese Government and military directors fostered and executed this matter.

He stressed that the Japanese Government must not peddle the proposal for "civilian fund" but take the entire responsibility for the crimes, make proper apology and sufficient compensation to the victims and thus show in deed their readiness not to repeat such crimes against humankind.

Moctar Amidou Cisse [name as received] spoke at the round-table talk.

Noting that he has obtained ample scientific materials, he affirmed that he would try to make new materials included in the special report against violence of women of the United Nations.

Petra Maarit Kohonen [name as received] said that she came to know a lot while hearing testimonies of victims and materials given by scholars.

Solidarity Meetings Held Overseas

*SK1707104195 Pyongyang KCNA in English
1025 GMT 17 Jul 95*

[FBIS Transcribed Text] Pyongyang, July 17 (KCNA) — Solidarity meetings took place recently in Cuba, India, Mongolia, Denmark and Barbados in the month of solidarity with the Korean people (June 25-July 27).

Meetings were held at the Cuba-Korea friendship steel works, the Cuba-Korea friendship farm and by the Barbadian Committee for Friendship and Solidarity with the Korean people. The speakers at the meetings elaborated on the great victory won by the Korean people in the three-year fatherland liberation war (June 25, 1950-July 27, 1953).

They stressed that Korea must be reunified through confederacy in accordance with the 10-point programme of the great unity of the whole nation for the country's reunification which was put forward by the great leader Comrade Kim Il-song.

Making a report at a meeting held in India, Om Prakash Mantri, secretary general of the Asian Regional Committee to Support Korea's Reunification, said that the reunification of Korea is not only an ardent desire of the entire Korean people but also an aspiration of the world's people.

He noted that His Excellency President Kim Il-song, an elder of the world revolution, set forth many proposals for reunification including the most fair and aboveboard proposal for founding the Democratic Confederal Republic of Koryo and led all the people to the struggle for their realisation.

The world's people are firmly convinced through the struggle of the Korean people that they can run counter to the U.S. arbitrariness and win victory, he said, adding: The Indian people fully support the independent and peaceful reunification of Korea.

Kim Chong-il Receives Letters From Abroad

From Overseas Koreans

*SK1607082695 Pyongyang KCNA in English
0805 GMT 16 Jul 95*

[FBIS Transcribed Text] Pyongyang, July 16 (KCNA) — The great leader Comrade Kim Chong-il received letters from overseas Koreans on the first anniversary of the death of the great leader President Kim Il-song.

The letters came from Choe Hong-hui, president of the International Taekwon-do Federation; honorary Chairman Sonu Hak-won and permanent Chairman Yang Un-sik of the U.S. headquarters of the National Alliance for the Country's Reunification; Pak Song-chol, president of the Yanbian Tumen River Special Products Co., Ltd. of China; Kim Yong, general director of the Liaoning Ethnic Minority Material Management Co. of China; Song Ki-ro, president of the Manhattan Technology Transfer Company, the United States; Sin U-chun, president of the International Trading Co., Ltd. in New York; Kang Nae-mun of the Theological Postgraduate Course of Harvard University, the United States; and Kim Hae-kyong, president of the shipping company of Singapore.

They say the immortal exploits performed by President Kim Il-song in the struggle for the prosperity of the nation and the independent and peaceful reunification of the country will shine for all ages in the history of humankind as well as the Korean nation.

President Kim Il-song means [word indistinct] Kim Chong-il, they say, vowing to follow respected General Kim Chong-il forever and devotedly work to exalt the Kim Il-song nation and the Kim Chong-il era.

They sincerely wish General Kim Chong-il good health and a long life.

From Foreign Party Leaders

*SK1807050295 Pyongyang KCNA in English
0421 GMT 18 Jul 95*

[FBIS Transcribed Text] Pyongyang, July 18 (KCNA) — Messages were sent to the great leader Comrade Kim Chong-il by foreign party leaders on the first anniversary of the death of the great leader President Kim Il-song.

They came from general secretary of the C.C. [Central Committee], the Communist Party of Peru (Red Motherland) Alberto Moreno, first secretary of the C.C., the Ukrainian Communist Party P.N. Simonenko, coordinator of the C.C., the People's Party of Costa Rica Eduardo Mora Valverde, chairman of the C.C., the Tajik Communist Party Sh. D. Shabdolov, first secretary of the C.C., the Bolivian Communist Party Marcos Domic, leader of the AmerIndian Action Movement of Guyana

Peter Persaud and chairman of the C.C., the Czechy-Morava Communist Party Miroslav Grevenicek.

The messages say Comrade Kim Il-song was the great leader, who guided the struggle for socialism and independence.

They express the belief that Comrade Kim Chong-il will accomplish the revolutionary cause started by Comrade Kim Il-song and reunify Korea without fail.

People, Army Sing Praise of Kim Chong-il

*SK1407213695 Pyongyang KCNA in English
1531 GMT 14 Jul 95*

[FBIS Transcribed Text] Pyongyang, July 14 (KCNA) — The song "We Wish Comrade Supreme Commander Good Health" is widely being sung among the Korean people and People's Army soldiers.

Recently composed, this song represents noble feelings of the Korean people and People's Army soldiers who have keenly realised that the prosperity and development of their country and motherland and the eternal victory of the revolutionary cause of chuche are guaranteed by the good health and safety of supreme commander Comrade Kim Chong-il.

In the first stanza, the song depicts the highest honor and happiness of the Korean people and People's Army soldiers in having their supreme commander in the person of respected Comrade Kim Chong-il.

General Kim Chong-il is a tender-hearted father who loves the Korean people and People's Army soldiers most and spares nothing for them.

As soon as he sent an autographic letter of love and trust to all the Korean people on the morning of the New Year's day which they were greeting with tears of blood in bitterest grief after the unexpected death of the great leader President Kim Il-song, he left for a unit of the People's Army.

He also visited other People's Army units and posts, saw simple art pieces of soldiers and posed for photographs with them.

Feeling heartsore to see the faces of women soldiers chapped by sea wind, he sent medicinal cream and salves to them.

Our People's Army soldiers are achieving only victory, glory and feats in high spirits, each being a match for a hundred foes as they have their supreme commander in the person of the respected general, the supreme incarnation of love and benevolence.

In the second stanza, the song contains the unshakable spirit and heroic stamina of the Korean people and

People's Army soldiers that they are sure to defeat any formidable enemy because they have respected General Kim Chong-il as their supreme commander.

General Kim Chong-il is an ever-victorious general without an equal in the world who is possessed of literary and military accomplishments, extraordinary intelligence, unrivalled grit, superb tactics and uncommon and flexible resourcefulness.

It is under his intelligent guidance that the Korean People's Army has been strengthened and developed into invincible revolutionary Armed Forces equipped with modern offensive and defensive means.

In the third stanza, the song truthfully depicts the iron will and faith of the Korean people and the People's Army soldiers, who find their highest honor and happiness in the good health and safety of respected General Kim Chong-il, the destiny of all the Korean people, the future of the socialist homeland and the banner of eternal victory, and who are determined to readily go through fire and water to defend him.

Indeed, Comrade Kim Chong-il is our homeland and socialism.

So, all the Korean people and People's Army soldiers, singing this song, are hardening their indomitable will to become rifles and bombs for his good health and safety, which means their life and soul.

Remembrance of Kim Il-song Continues

Overseas Memorial Services

*SK1807110295 Pyongyang KCNA in English
1015 GMT 18 Jul 95*

[All names as received]

[FBIS Transcribed Text] Pyongyang, July 18 (KCNA) — Memorial services for the great leader President Kim Il-song took place in Bangladesh, Senegal, Angola, Nigeria, Equatorial Guinea, Guinea, Madagascar, Romania, Germany, Finland, Denmark, Indonesia, Thailand, the Czech Republic, Ukraine, Sweden, Egypt, Yemen, Jordan, Switzerland, Laos, Vietnam, Malaysia, Italy, Mali, Ghana, Ethiopia, Mexico, Mongolia, Algeria, Kazakhstan, Bulgaria, Zaire, Peru, Britain and the United States, on the first anniversary of his death.

Attending the services were leading officials of the world meteorological organisation, the World Peace Council and other international organisations, officials of the governments, parliaments, political parties and the military and public organisations and organisations for friendship and solidarity with the Korean people in the abovesaid countries.

Those present paid a silent tribute to President Kim Il-song.

Acting president of the People's Assembly of Angola Lazar Dias said in his speech: President Kim Il-song is the most distinguished, great leader in the development of human history and he will always be with us.

Suwarno Dhanusutejo, secretary general of the Foreign Ministry of Indonesia, in his speech noted that His Excellency President Kim Il-song was an outstanding leader who performed undying feats for the strengthening and development of the non-aligned movement and played a distinguished role for it.

Honorary President of the World Peace Council Romesh Chandra in his speech pointed out: President Kim Il-song who devoted his all to the peace and security and progressive development of the world till the last moment of his life is always in the hearts of the Korean people and the world people. The world people will remember him forever, the honorary president stressed.

Similar memorial services were held by the Communist Party of India, the Communist Party of India (Marxist), the Funcinpec [United National Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia] Party of Cambodia, the Communist Party of Bulgaria (Marxists), the New Yugoslav Communist Movement, the Workers' Party of Mexico and the Social Communist Party of Angola.

The participants observed a moment's silence in memory of President Kim Il-song.

Indrajit Gupta, general secretary of the National Council of the Communist Party of India, in his speech said that the respected leader Comrade Kim Il-song was the most distinguished revolutionary, the most outstanding thinker and theoretician and the great practitioner of our era. He will be immortal in the heart of humankind forever, the general secretary added.

The chairman of the Executive Council of the Central Committee of the Bulgarian Communist Party (Marxists), Boris Petkov, said in his speech that the communists and progressive humankind the world over will always remember the immortal feats performed by the great leader President Kim Il-song and his august name and image will be kept in the minds of all the people forever.

Visitors Lay Flowers at Statue

*SK1807045895 Pyongyang KCNA in English
0418 GMT 18 Jul 95*

[FBIS Transcribed Text] Pyongyang, July 18 (KCNA) — The members of the visiting delegation of journalists

of the General Association of Korean Residents in Japan (Chongnyon) and home-visiting group of Korean students in Japan Monday laid a floral basket and bouquets before the statue of the great leader President Kim Il-song on Mansu Hill and made a bow to him.

They vowed to hold the fatherly leader President Kim Il-song in high esteem for all ages and remain loyal to respected General Kim Chong-il through generations.

Praise From Foreign Leaders

*SK1807110795 Pyongyang KCNA in English
1022 GMT 18 Jul 95*

["President Kim Il-song Praised as Sun of Chuche" — KCNA headline; all names as received]

[FBIS Transcribed Text] Pyongyang, July 18 (KCNA) — Alejandro Evuna Owono, minister of state of the presidency of Equatorial Guinea, and John Makoti, president of the Kivukoni Academy of Social Science, Tanzania, answered questions raised by directors of the editorial boards of KCNA and the newspaper MINJU CHOSON on the first anniversary of the death of the great leader President Kim Il-song.

John Makoti said the great leader Comrade Kim Il-song founded the Chuche idea based on the philosophical principle that man is the master of everything and decides everything, started the Korean revolution on its basis and triumphantly led it.

He showed traits befitting a great leader in all respects and wisely guided socialist revolution and construction in the Democratic People's Republic of Korea, he added.

Alejandro Evuna Owono said the great leader Comrade Kim Il-song was the centre of leadership and unity that pioneered and guided the revolutionary cause of Chuche, the sun of Chuche that founded the immortal Chuche idea and the beacon and the sun of humankind that indicated the way for the masses of the oppressed people to follow.

Under the guidance of the great leader Comrade Kim Chong-il, he noted, the revolutionary cause of Chuche started by the great leader Comrade Kim Il-song is being successfully accomplished and the future of Korea is more bright.

Praise From Guineans

*SK1507102395 Pyongyang KCNA in English
1005 GMT 15 Jul 95*

["President Kim Il-song Will Be Immortal as Lodestar of Humankind" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, July 15 (KCNA) — The president and the minister of natural resources, energy and environment of Guinea gave answers to questions put by the director of the editorial board of MINJU CHOSON on the first death anniversary of the great leader President Kim Il-song.

President Lansana Conte said no matter how many years may go by the peoples of Third World countries, the Korean people in particular, will remember their respected leader President Kim Il-song who made unremitting efforts for more than half a century to build a world-startling country.

He reassured the Korean people of his sense of obligation to President Kim Il-song who was a true friend of Guinea.

He hoped that all the Korean people would carry forward their leader's cause and achieve fresh success in their efforts to develop agriculture, industry and science.

He stressed that only the excellent relations of friendship and cooperation will exist between His Excellency Kim Chong-il, the leader of the Korean people, and him and it is the core of the relationship between the two countries. Dorank Assifat Diasseny, minister of natural resources, energy and environment, said when looking back on President Kim Il-song, we should pay tribute to his idea and exploits among other things. His life was that of a world-famous hero, he said.

The African people, he noted, will look back on President Kim Il-song forever not only as the great fatherly leader of the Korean people but also as the lodestar of the entire humankind. The posterity, too, will defend and exalt his exploits, he added.

Praise From Chuche Adherents

*SK1307213595 Pyongyang KCNA in English
1516 GMT 13 Jul 95*

[FBIS Transcribed Text] Pyongyang, July 13 (KCNA) — The general secretary of the Latin American Institute of the Chuche Idea and the chairman of the Peruvian National Association for the Study of the Chuche Idea, Jorge Raso Arrasco; the chairman of the Zairean National Committee for the Study of the Chuche Idea, Lokadi Longandjo; and the chairman of the Society for the Study of the Chuche Idea of the University

of Madagascar, Razonera Luis, sent answers to the questions raised by the director of the editorial board of the KCNA on the occasion of the first death anniversary of the great leader President Kim Il-song.

Lokadi Longandjo said: The chuche idea founded by the great Comrade Kim Il-song, is a common mental wealth of humankind and a banner of hope in the times and holds the most important place in his exploits.

The respected leader Comrade Kim Il-song will be immortal with the great chuche idea for his great exploits for humankind.

Jorge Raso Arrasco said that he is still remembering the time when the great leader Comrade Kim Il-song received them, and that the great leader gave them proper and correct teachings with his profound knowledge of different international affairs.

Saying that the reminiscences of President Kim Il-song describes his great and devoted life only for the people, he noted the president will be immortal as a great man of worldwide fame.

Razonera Luis pointed to the superiority of the Korean style socialist system, saying that Korea has brought great changes in all fields of politics, economy, society and culture under the wise leadership of his excellency President Kim Il-song.

Though his excellency President Kim Il-song passed away, his cause is immortal and his cause for the happiness and prosperity of the people is now being carried forward by His Excellency Kim Chong-il, the great leader of the Korean people.

Visitors Continue To Tour Kumsusan

Bangladesh Party Secretary

*SK1507060195 Pyongyang KCNA in English
0553 GMT 15 Jul 95*

[FBIS Transcribed Text] Pyongyang, July 15 (KCNA) — Hasanul Huq Inu [spelling of name as received], general secretary of the Bangladesh National Socialist Party, on a visit to Korea in an interview with KCNA on July 13 gave his impressions of Kumsusan Memorial Palace.

He said:

It is a privileged honor for my party, all the Bangladesh people and my country that I had an opportunity to visit Kumsusan Memorial Palace where the great leader Comrade Kim Il-song is preserved in state and pay tribute to him.

The moment I entered the hall where the statue of the great leader Comrade Kim Il-song stands, I felt sorrow

and shocking at the thought of the time when he took my hands with a bright smile and received me in this palace on June 25 last year.

On the occasion, Comrade Kim Il-song, the great leader respected by the whole world, open-heartedly told in detail about international and domestic issues of weighty importance.

By wisely leading DPRK-U.S. talks to an agreement the great leader showed to the whole world that though it is a small nation and a small country, it can emerge victorious and proudly advance forward on an equal footing with big nations, when it has a strong will.

Respected Comrade Kim Il-song was the great leader not only of the Korean people but also of all peoples of the world aspiring after socialism, all peoples who love peace and freedom. There were many leaders in history, but we know no other great leader but Comrade Kim Il-song.

The dear leader Comrade Kim Chong-il saw to it that Comrade Kim Il-song is preserved in state in Kumsusan Memorial Palace. This showed to the whole world how a revolutionary should respect the leader of revolution and forerunners of revolution and how he should exalt their feats forever.

People Describe Impressions

*SK1407154595 Pyongyang KCNA in English
1508 GMT 14 Jul 95*

[FBIS Transcribed Text] Pyongyang, July 14 (KCNA) — Working people renewed their resolution to staunchly fight to complete the chuche revolutionary cause under the leadership of the great leader General Kim Chong-il, true to the behests of the great leader President Kim Il-song, after they visited "Kumsusan Memorial Palace" where President Kim Il-song is preserved in state.

Chu Song-il, chairman of the Central Committee of the General Federation of Trade Unions of Korea, said:

"With 'Kumsusan Memorial Palace' built, our people harden their belief that President Kim Il-song will always be with them as ever. They can now visit the supreme holy land of chuche, see President Kim Il-song preserved in state and push ahead with the chuche revolutionary cause in complete harmony with him."

Kim Chang-sik, director of the secretariat of the Administration Council, said:

"'Kumsusan Memorial Palace' has been opened to the public so that people can see President Kim Il-song preserved in state. We officials harden our belief that he

will always be with us. We can tell him what we want and what we will do, as we did when he was alive."

Choe Yong-nam, chief secretary of the Nangnang District, Pyongyang, committee of the Workers' Party of Korea, said:

"The leader's immortality means the people's immortality. Only when the people carry the leader's cause to completion generation after generation, can they enjoy eternal happiness and have a bright future of the revolution. I will push ahead with the revolution and construction as President Kim Il-song intended in his lifetime."

Kim Sang-yon, director of the institute of paddy rice of the Academy of Agricultural Science, said:

"We agro-scientists will gain greater strength and courage, seeing President Kim Il-song preserved in state. We will renew our belief in the chuche cause, remain loyal to the leadership of Comrade Kim Chong-il as soldiers and disciples of President Kim Il-song and devote our wisdom and talent to scientific research for the prosperity of our country and motherland."

An Min-chol, chairman of the management board of the Sowon Cooperative Farm in Pyoksong County, South Hwanghae Province, said:

"Our fatherly leader paid attention to farming till the last moment of his life. He earnestly urged the officials and working people in agriculture to uphold Comrade Kim Chong-il with a high yield of rice. I will always believe that led by respected Comrade Kim Chong-il, we can reap bumper crops every year. I will do all farm work as demanded by the chuche farming method invented by President Kim Il-song."

Yim Kwan-ho, an officer of the Korean People's Army, said:

"We will be rifles and bombs to defend our respected Supreme Commander General Kim Chong-il with our lives and accomplish President Kim Il-song's cause, the chuche revolution."

Public Transport Available

SK1407213795 *Pyongyang KCNA in English*
1534 GMT 14 Jul 95

[FBIS Transcribed Text] Pyongyang, July 14 (KCNA) — Electric cars began to run a few days ago to "Kumsusan Memorial Palace" where the great leader President Kim Il-song is preserved in state.

The new electric cars running from Yonghung-tong No.2, the opposite side of Kim Il-song University Kumsong, street, Taesong District, to "Kumsusan Memorial Palace" have been provided by the great leader Com-

rade Kim Chong-il, considerate of the ardent desire of the Korean people to visit the supreme holy land of chuche as early as possible.

He was deeply concerned for the section of the car line, the method of construction, the type of electric cars and stopping places. On July 7 he personally sat on a chair of a car and looked after its test operation.

A double-track line has been laid on one side of the road, not interfering with other motor vehicles.

Cars accommodating 200 persons at a time are fine and smoothly run without vibration and noise.

By these electric cars people are streaming to President Kim Il-song by whom they want to be embraced even in a dream.

Importance of National Independence Stressed

SK1807110395 *Pyongyang KCNA in English*
1027 GMT 18 Jul 95

["National Independence Is Fundamental Principle of Reunification" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, July 18 (KCNA) — NODONG SINMUN today says that national independence is the most important principle of reunification indicated by the great leader Comrade Kim Il-song and a primary requirement to achieve the reunification in the 90s.

Under the title "National Independence Is Fundamental Principle of Country's Reunification", a signed article of the paper says:

The principle of national independence put forward by him is the most just and patriotic principle of reunification embodying the idea of national independence on the basis of the immortal chuche idea.

It is our nation that is interested in reunification. And it is also our nation that is responsible for it.

It does not stand to reason that anyone may take the place of our nation, the master and decisive forces of reunification. Any foreigners have no right to meddle with the internal affairs of the Korean people.

The principle of national independence advanced by him is the principle of reunification based on the confidence in the internal forces in the settlement of the national problem and in its possibility.

Our nation have the sufficient ability to solve their national problem by themselves. The history of the struggle and creation of our people shows that ours is a nation who are able to carve out their destiny successfully and independently.

All our people, be they in the North, South or overseas, desire national reunification.

Only when the principle of independence is maintained, is it possible to solve a national problem; it is a historical lesson. The North has adhered to the line of national independence while South Korea has pursued the policy of dependence on foreign forces for half a century. This gives people a serious lesson that only national independence leads to patriotism and the way out for the nation.

The road of national independence is what our nation should take. It is a true road to solve any problem in conformity with the interests and demand of our nation for the reunification of the country.

Development of 'Chuche Industry' Highlighted

*SK1507152095 Pyongyang KCNA in English
1511 GMT 15 Jul 95*

[FBIS Transcribed Text] Pyongyang, July 15 (KCNA) — The Democratic People's Republic of Korea will significantly greet the 50th anniversary of the foundation of the Workers' Party of Korea [WPK] on October 10 this year.

The chuche industry of Korea has covered the road of self-sustenance over the past 50 years under the wise guidance of the party. It fully guarantees the economic development of the country and meets the ever-growing material and cultural demands of the people.

Right after the liberation from the colonial rule of Japanese imperialism, the industry of Korea was negligible and very deformed. It was also heavily destroyed in the three-year war (1950-1953) ignited by the U.S. imperialists.

The country's industry has been built from scratch after the war.

The imperialists said that Korea would not rise to its feet again even one hundred years after. But the Korean people basically rehabilitated the destroyed economy in three years.

And they established the independent national industry system and carried out the historical task of industrialisation in a matter of 14 years.

The industrial production increased by 15.9 percent on a yearly average in the 1970s. New industrial sectors were set up and many modern factories and enterprises constructed. Departmental structure of the economy was furnished. The proportion of self-sufficiency in materials and fuel reached over 70 percent.

Large coal and ore mines and power stations were built on an expansion basis and metal works were commissioned in the 1980s.

As a result, the chuche character and independence of the industry were strengthened further.

The rapid development of the chemical industry based on advanced science and technology opened a bright prospect for the development of the light industry and the improvement of the people's living standard.

The machine-building industry produces a 125,000 kva [kilovolt-ampere] hydraulic generator, a 10,000-ton press, extra large oxygen plant and other modern large machines and equipment, and sets of equipment for metal works, building-material and chemical factories.

The proportion of self-sufficiency in machinery and equipment is 98 percent.

The chuche industry has become mightier in the 1990s. More than 11,000 objects of the industrial sector were put in operation during the third seven-year plan which was fulfilled til 1993. In this period the industrial output of the country grew 1.5 times.

Today the chuche industry of Korea materially guarantees the socialist system centred on the popular masses, defying the economic blockade and fluctuation.

Power Plant Workers Strive To Increase Output

Tongpyongyang Power Station

*SK1407080295 Pyongyang Korean Central Television
Network in Korean 1100 GMT 13 Jul 95*

[FBIS Translated Text] Currently, party members and workers of various regions are highly regarding the fatherly leader, who is in eternal state, and they have risen as one to implement the party's revolutionary economic strategy while embraced with the indomitable will to complete the chuche revolutionary cause to the end and following the road taught by the great leader [yongdoja] Comrade Kim Chong-il.

Overflowing with faith and optimism, the working class of the Tongpyongyang thermal power station are vigorously carrying out the struggle to increase electricity production by highly upholding the party Central Committee slogans on the 50th anniversary of the party's founding.

They are deeply aware of the fact that producing more electricity is the road to making the country and fatherland all the more rich and powerful, and they are strictly observing the standard regulations of operation. Therefore, they are producing more electricity with even small amounts of coal.

In particular, since management is being carried out sincerely to guarantee facilities operate fully, the responsibilities and roles of mechanics are being further enhanced. Currently, in order to produce more electricity so that it can be sent to various sectors of the people's economy, they are exhibiting all the more highly the revolutionary spirit of self-reliance and fortitude.

Sunchon Power Station

*SK1407082995 Pyongyang Korean Central
Broadcasting Network in Korean
1200 GMT 13 Jul 95*

[FBIS Translated Text] According to a report by Korean Central Broadcasting Network correspondent Kang Yong-tae, party members and working people at the Sunchon Lockgate Power Station, who are vigorously waging the struggle to thoroughly carry out tasks put forward by the slogan of the party Central Committee, have overfulfilled the first half-year electricity production plan by more than 200 percent. With this spirit, they are continually effecting innovations in electric power production.

The electricity producers at this plant turned all water resources to electricity production in close cooperation with the lockgate management office and ensured normal generator operations. Thus, they registered success by producing 5 million kilowatt-hours more of electricity during the past six months than originally planned.

The electric power producers at the plant, who are continuing to solidify the success in July as well, increased electricity production while ensuring high water-level operations since water resources are plentiful. Thus, they overfulfilled the daily electric power production plan by 1.3 times.

South Hamgyong Power Plants

*SK1507011395 Pyongyang Korean Central
Broadcasting Network in Korean
2200 GMT 15 Jul 95*

[FBIS Translated Text] Upholding the great leader's behests, electricity producers in South Hamgyong Province, who have risen up to increase electricity production, are maintaining a high and steady production of electricity.

Under the guidance of the party organization, the staff of the Pujongang Power Plant is vigorously waging a battle to repair and maintain all facilities in a short period. In particular, workers of the No. 1 power generation work shop, including Yi Hyong-kuk, are overfulfilling the power generation plan by 1.2 times by ensuring the equipment is in full operation and working at full capacity.

In another development, electricity producers of the Changjingang Power Plant, where the great leader's leadership achievements permeate, are normalizing electricity production at a high level by keeping good maintenance of water conductors and ensuring all power generators are in full operation at full capacity.

Hydroelectric Power Output Up

*SK1707060395 Pyongyang Korean Central
Broadcasting Network in Korean
1200 GMT 16 Jul 95*

[FBIS Translated Text] Hydroelectric power stations across the country under the Ministry of Power Industry are waging a vigorous struggle to increase their production of electric power.

According to the recent compilation of data from the relevant sector, hydroelectric power stations across the country have continuously increased the production of electric power, overfulfilling the hydroelectric power production plan of the Ministry of Power Industry every month this year.

Therefore, during the first half of the year, hydroelectric power production increased 40 percent over the same period last year. The success in production has continued in July as well, and the average daily production these days reached the highest level this year.

South Korea

Washington, Seoul Agree To Review SOFA

*SK1807064495 Seoul YONHAP in English
0601 GMT 18 Jul 95*

[FBIS Transcribed Text] Seoul, July 18 (YONHAP) — South Korea and the United States Tuesday agreed to hold a bilateral review of the Status of Forces Agreement (SOFA) which oversees the legal rights of American servicemen stationed in South Korea, the Foreign Ministry's American Affairs Bureau Director General Yim Sung-chun said Tuesday.

Releasing a joint announcement just after American Ambassador to South Korea James Laney met with Foreign Minister Kong No-myong at the Foreign Ministry regarding the revisions to the SOFA, Yim said that the U.S. side accepted South Korea's request to review the agreement in accordance with article 30 of the U.S.-ROK Status of Forces Agreement which states that either government may at any time request a revision of any SOFA article.

"The governments of the Republic of Korea and the United States will develop lists of issues to be discussed

and will enter into negotiations through appropriate channels," Yim said.

"This is a cooperative effort that reflects the shared commitment of our two governments to ensuring the continued strength and vitality of our bilateral security relationship," he said.

Yim also said that South Korea and the United States officially began negotiations concerning revisions to the SOFA with the release of the joint announcement, although negotiations have already been underway on an unofficial basis.

He said that the SOFA joint committee will address clauses which need revision in a variety of areas including South Korea's jurisdiction of American soldiers in South Korea, environmental contamination of U.S. bases here and labor rights for Koreans employed by the United States Forces in Korea (USFK).

After the committee finishes addressing the issues in question, officials of the two countries will then alternately meet in Seoul and Washington to put finishing touches on any draft revisions that are made, he said.

The South Korean Government has been preparing for negotiations with the U.S. Government to institute draft revisions to the SOFA, he said, adding that the Seoul government is considering the possibility of holding seminars for officials and scholars of both South Korea and the United States.

It also plans to form advisory committees consisting of scholars and experts of the SOFA to help draft the necessary revisions, he said.

MND To Ask U.S. To Provide Pilot Training

SK1807023595 Seoul KYONGHYANG SINMUN in Korean 18 Jul 95 p 3

[Report by Yi Chung-kun]

[FBIS Translated Text] The ROK Air Force is running into a stumbling block in training pilots because its advanced-level training aircraft are outdated. This being the case, the Ministry of National Defense [MND] is positively reviewing a plan to dispatch pilots to the United States for training.

A high-ranking MND official said: "Thirty percent of the 80 odd F5-A and F5-B advanced-level training aircraft, which were introduced in the 1970's, are outdated. As a result, it has not been feasible to train pilots satisfactorily. We are in the midst of discussing a plan to ask the U.S. Air Force to train our pilots."

This official also stated: "We are also studying a plan to ask that idle U.S. Air Force T-38 training aircraft

are loaned to us for training purposes, in the event that training them in the United States is deemed unfeasible."

Noting that "the stumbling block in advanced-level aviation training—the most important aspect of pilot training—is a serious problem," the Air Force said that "it is unreasonable to ask another country to train our pilots." In addition, the Air Force expressed the hope of additionally purchasing British-made Hawk aircraft, 20 of which were already imported and have been in operation.

Seoul, U.S. Hold Talks on Social Security Tax

SK1807052495 Seoul YONHAP in English 0435 GMT 18 Jul 95

[FBIS Transcribed Text] Seoul, July 18 (YONHAP) — Officials from South Korea and the United States recently shared the view that bilateral negotiations concerning the signing of a social security agreement should continue for the benefit of both countries, a Foreign Ministry spokesman said Tuesday.

During a two-day meeting held in Baltimore, Maryland, July 13-14 officials representing the two countries discussed ways to exempt residents of one country from paying social security taxes in the other, he said.

Most South Korean businessmen in the United States lose the money they pay towards social security taxes because they usually do not remain in the United States for five years, the minimum time requirement to receive social security benefits.

South Korea, meanwhile, refunds social security taxes to foreigners when they exit the country.

U.S. Ambassador Addresses Businessmen

SK1807062595 Seoul TONG-A ILBO in Korean 18 Jul 95 p 2

[Report by Im Chae-yong from Cheju]

[FBIS Translated Text] In a lecture meeting of a top-level management college held at the Cheju Shilla Hotel on 17 July, James Laney, U.S. Ambassador to the ROK, said that "the governments of the two nations are discussing the issues pertaining to ROK-U.S. Status of Forces Agreement [SOFA], whose inequality became an issue recently, in order to improve its fairness." With regard to reduced issuance of U.S. visas, he noted that "the U.S. Embassy will seek to improve the situation so as to eliminate inconvenience for the ROK people."

He pointed out that "the \$300 million that the ROK is to shoulder in accordance with the North Korea-U.S. nuclear negotiations is not a large amount when one considers the scale of the ROK economy. It is

even less than the amount needed to maintain a U.S. aircraft carrier for one year. All nations are hoping that the ROK, which has developed into a strong economic state that ranks 12th in the world, will play a role corresponding to its position."

North Denies It Agreed To Release Ship's Crew

SK1807015195 Seoul YONHAP in English
0102 GMT 18 Jul 95

[FBIS Transcribed Text] Beijing, July 18 (YONHAP) — Chon Kum-chol, North Korea's chief delegate to the inter-Korean Beijing talks, denied reports Monday that Pyongyang agreed to release crew members of a captured South Korean fishing trawler.

Chon, advisor to North Korea's external economic cooperation commission, said, "The release of the Usong's crew is a separate issue from the mission of our delegation to these talks, and therefore it cannot be discussed or dealt with at these discussions."

Some South Korean newspapers reported late Monday that North Korea agreed in principle to return the Usong 86's crew to the South at the Beijing talks.

Chon, meeting with a YONHAP correspondent here in the Chinese capital, said that some South Korean reports about the crew members are groundless. "The reports that South and North Korea agreed to hold a third round of talks on the Korean peninsula are also groundless," he said.

Another North Korean delegate said, "since these talks are about the rice, the issue of the Usong's crew is not on the agenda. But, if negotiations regarding South Korea's rice supply (to the North) are settled smoothly, then we can consider discussing the crew member issue."

He added that North Korea did not request a specific amount of rice it would like from South Korea, saying, "We cannot ask for a specific amount since we are being given the rice."

Kim Chong-il's Governing Style Assessed

SK1807072795 Seoul TONG-A ILBO in Korean
18 Jul 95 p 5

[Article by Kim Chae-hong, assistant manager of No. 2 Political Department, "The Independence of the Kim Chong-il Line"; from the "Today and Tomorrow" column]

[FBIS Translated Text] On 8 July, the first anniversary of Kim Il-song's death, North Korea stressed being governed by Kim Il-song's behests. Nevertheless, the independent line Kim Chong-il displayed at every important turn of events is fairly conspicuous. North

Korea's official news media stressed being governed by Kim Il-song's behests, stating, "The dear leader Comrade Kim Chong-il is the great leader Comrade Kim Il-song." There have been several occasions in the past year, however, when North Korea's leadership was compelled to make political decisions for which Kim Il-song's behests offered no guidelines. Examples of such instances include the North Korean-U.S. nuclear negotiations in Geneva last October and the diplomatic negotiations for receiving rice aid which began in June. At the same time, Kim Chong-il appears to be buying time before he makes the independent decision to hold the inter-Korean summit talks with President Kim Yong-sam which were not realized because of Kim Il-song's death.

Since Kim Il-song's death, North Korea has made decisions on such important occasions without much confusion. In so doing, North Korea stresses it is being governed by Kim Il-song's behests to publicize that the choices North Korea has made in the year since Kim Il-song's death conform to Kim Il-song's line in his lifetime.

It has been learned that all of North Korea's recent difficult decisions, such as the acceptance of rice aid, have been made according to Kim Chong-il's instructions. Asking the Western world for food assistance was not an easy decision for North Korea, which advocates "our-style socialism" and "self-reliance." Moreover, it was a disgraceful decision for North Korea to accept rice aid from South Korea. Toward the end of June, immediately after the settlement of the first round of inter-Korean rice talks, the North Korean official news media carried a special article stating, "We can hardly maintain socialism if we fail to attain self-sufficiency in food." Many interpreted this to be the voice of hardliners in North Korea. When North Korea has this sort of internal conflict, the slogan of rule by behest becomes necessary. This may be North Korea's emergency prescription for "reform through stability."

Analyzing small and big decisions made by the Kim Chong-il system of rule, we discover considerable elements of reform that differ from his father's rule. For instance, North Korea allowed a Taiwanese charter flight for the Pyongyang International Sports and cultural Festival held in April. The PRC recently took the extremely hard-line measure of recalling its ambassador to the United States in order to strongly protest against the United States for inviting Taiwanese President Lee Teng-hui [to visit]. The PRC's view of North Korea's approval of a Taiwanese charter flight is obvious. The PRC's importance to North Korea far exceeds the United States' importance to the ROK. The charter flight cannot be explained as anything but a reformist

line different from that in Kim Il-song's time. Such a decision would have been inconceivable while Kim Il-song was alive, considering his relations with Deng Xiaoping and other PRC leaders, who were first-generation anti-Japanese guerrilla comrades. Diplomatic observers think that North Korea and the PRC are on the worst terms ever.

The center of Kim Chong-il's independent line emphasizes pragmatism rather than ideology. In Kim Il-song's lifetime, benevolent and all-embracing politics were, as propagandized, a unique feature to Kim Chong-il. Benevolent politics mean "the people must be judged by their current ideology and acts." This is interpreted as a modification to North Korea's conventional class policy. The most significant difference between Kim Il-song and Kim Chong-il is the latter's indulgence in movies, music, architectural arts, and sports. Some political psychologists hope that this will be the basis for rationality in the Kim Chong-il regime. However, North Korea's intractable disease cannot be cured without the introduction—albeit in limited terms—of private ownership and a market economy. If the Kim Chong-il regime does not conduct a bold transformation befitting his so-called all-embracing politics, the risk of collapse may come from within.

Charges Dropped in Kwangju Insurrection Case

SK1807092595 Seoul YONHAP in English
0756 GMT 18 Jul 95

[FBIS Transcribed Text] Seoul, July 18 (YONHAP) — The Seoul District Prosecutor's Office on Tuesday wrapped up its 14-month-long investigation of the insurrection and other charges brought against former Presidents Chon Tu-hwan and No Tae-u and 56 others allegedly involved in the armed suppression of the May 18, 1980, Kwangju citizens' uprising after concluding that it has "no power to prosecute those charged."

The decision is expected to ignite strong protests by those who filed the complaints and those who suffered in the armed suppression.

Based on the testimony of those involved in the May 18 incident and evidence related to it, the prosecution reached the conclusion that the armed suppression was beyond the prosecution's ability to investigate and judge because it was "a typical act of government" used to settle a national crisis, the office said.

The developments related to the incident are judged as political acts designed to lead and control the nation which, as a whole, was in chaos, and as these acts were based on martial law and other laws that were in force then, the prosecution has secured no evidence

upon which it can prosecute the alleged defendants on charges of insurrection.

The prosecution may not pass judgment on highly political acts because of the so-called act-of-state theory, and in a country where the three powers are separated, like Korea, the judiciary has no power to decide the legality of political acts, the office said.

In May last year, Chong Tong-yon and 321 others who suffered from the armed suppression charged former Presidents Chon and No and 56 others with insurrection and murder and the prosecution has since questioned, directly and through written questionnaires, some 280 people, including 10 accusers and the 58 accused.

The 58 accused include the then Army Training and Doctrine Commander So Chun-yol, former Premier Sin Hyon-hwak, several former key staff members of the Defense Security Command Kwon Chong-tal, Ho Sam-su and Ho Hwa-pyong and former Defense Minister Chu Yong-pok.

The prosecution questioned Chon and No by sending them questionnaires but could not question former President Choe Kyu-ha because he refused to comply with the prosecution's requests.

The 15-year statute of limitations for prosecuting those charged in the case expires on Aug. 15, and the accusers may appeal to the Constitutional Court for re-examination of the decision handed down by the Seoul District Prosecutor's Office if the relevant high Public Prosecutor's Office and the Prosecutor-General's Office turn down their appeals.

Parties Comment on Decision

SK1807104695 Seoul YONHAP in English
0853 GMT 18 Jul 95

[FBIS Transcribed Text] Seoul, July 18 (YONHAP) — The ruling and opposition parties made conflicting comments Tuesday regarding the prosecution's decision that it has no right to prosecute ex-presidents Chon Tu-hwan and No Tae-u and others in connection with the armed suppression of the May 18, 1980, Kwangju uprising.

The ruling Democratic Liberal Party [DLP], "respecting the decision as the exercise of a proper right of the prosecution," said, "It's proper that they leave a historic evaluation of the case to posterity."

DLP Spokesman Rep. Pak Pom-chin commented in a statement, "A continuous wrangling over things past result in nothing but a drain on the nation's strength. Beginning with this decision by the prosecution we

should free ourselves of past fetters and consolidate the national power to bring about a bright future."

On the contrary, opposition Democratic Party Spokesman Rep. Yi Kyu-taek lashed out saying, "The decision is but an anti-historic violence which disregarded the public's aspirations to hear the whole truth...this clearly attests that the Kim Yong-sam government has been following in the footsteps of the Fifth and Sixth Republics."

Rep. Pak Chi-won, a spokesman for an embryonic new opposition party led by former opposition leader Kim Tae-chung, meanwhile, criticized, "The prosecution's decision, an abuse of its prerogatives, will bring about not only judicial and political, but educational, moral and historic confusion as well. It is an announcement that the prosecution stands not on the side of the people but on the side of criminals."

Civilian Groups 'Indignant'

SK1807081295 Seoul YONHAP in English
0654 GMT 18 Jul 95

[FBIS Transcribed Text] Kwangju, July 18 (YONHAP) — Officials of the 1980 Kwangju uprising-related organizations and citizens here are indignant about the prosecution's decision Tuesday that it has no right to prosecute the former military elites including ex-presidents Chon Tu-hwan and No Tae-u, who were charged in legal suits for insurrection.

The decision, reached against the clearly proven facts that Chon, No and their associates intended to usurp power, is unacceptable, they asserted.

Not only will a petition be filed with the Constitution Court through appeals and re-appeals, but also a collective campaign will be launched to pass a special law which would make them subject to the court's punishment, they warned.

The Rev. Pius Cho, chairman, Kwangju Uprising Memorial Foundation, commented, "The decision has demonstrated that nothing more can be expected out of the incumbent regime, nor is there a reason to expect more...whereas once the law crumbles, everything else falls as well. Law enforcement authorities of the country handled the case at their own discretion...judicial officials should awaken themselves to this. We'll see to it that those responsible for the brutal suppression of the Kwangju uprising will be judged and punished through the legislation of a special law and other means."

Chong Tong-nyon, chairman of the Federation for May 18 Kwangju Mass Struggle, said, "The decision has revealed the limit of the civilian government's prosecution. But the punishment of those involved in the

suppression of the Kwangju uprising and the revelation of truth are historic tasks from which we cannot retreat. We'll renew our attempts to refer the case to the constitution court by way of appeals and re-appeals. In addition, we'll launch campaigns to expose the truth through the power of citizens by convening political gatherings and other events."

Prosecution 'Neglecting' Duty

SK1807103895 Seoul YONHAP in English
0831 GMT 18 Jul 95

[FBIS Transcribed Text] Seoul, May 18 [date as received] (YONHAP) — Civil and judicial organizations are irate with the prosecution Tuesday after it announced that it did not have the right to arraign those involved in the bloody suppression of "May 18 Kwangju democratization struggle."

The organizations said that the prosecution is neglecting its duty by avoiding to make a direct judgment on the case and by not exercising its proper right.

Yu Chong-song, director of the Policy Bureau of the Citizens' Coalition for Economic Justice (CCEJ), said, "The prosecution even retreated a step further from its judgment last year that acknowledged the guilt of the accused."

The "no-right-to-prosecute" decision means from a strict legal standpoint that the case cannot be judged by the prosecution, but it can be seen as an act of giving those implicated in the case an indulgence, Yu added.

Therefore, he warned, the prosecution's decision is against the stream of history and it will provoke the wrath of the people.

Yi Chang-pok, chairman of the National Union for Democratic National Unification, also criticized the prosecution's decision, saying it went contrary to the anticipation of the people.

"It is an action against history that the prosecution judged it had no right to arraign those criminals who slew a number of innocent people for the purpose of usurping the reins of government," he said.

Pak In-che, a member of the Lawyers Group for a Democratic Society, said that the May 18 case should be dealt with in connection with the Dec. 12 incident if it is to be properly judged.

"After all, many consider the prosecution to be neglecting its duties by deciding that it has no right to arraign those charged in the alleged rebellion movement, since the prosecution only dealt with acts that happened after martial law was declared. The prosecution should have

dealt with the Kwangju case in connection with the Dec. 12 coup d'etat-like incident," he said.

Kim Tae-chung 'Formally' Announces Return

SK1807035895 Seoul YONHAP in English
0205 GMT 18 Jul 95

[FBIS Transcribed Text] Seoul, July 18 (YONHAP) — Asia-Pacific Peace Foundation Chairman Kim Tae-chung formally announced he would resume his political career and create a new political party in a press conference held at the 63 Building Tuesday morning.

In a prepared statement he read before answering questions, Kim made an apology for not keeping his 1992 promise of political retirement and said he decided to establish the new party because the Democratic Party of today is not able to reform.

Kim has thus returned two years and seven months after he declared his retirement from politics following his defeat in the December 1992 presidential election.

The Democratic Party split comes three years and 10 months after it was created by means of a merger between Kim's party for peace and democracy and Yi Ki-taek's Democratic Party in September 1991.

Two and a half years have elapsed since President Kim Yong-sam took office, but the realities of the nation today are too disappointing and the Democratic Party has failed to perform its role as the main opposition party, Kim Tae-chung remarked.

Acknowledging the public's criticism of his political comeback Kim said he concluded that "as a man acting according to his conscience" he must contribute to rectifying the wrongs of the government and the opposition party.

Kim said his new party would seek to assist the local autonomous government system, give hope to the coming generation, assure the middle class of a stable and promising life, make preparations for national reunification and meet the 21st century fully prepared for its challenges.

Demanding Democratic Party President Yi Ki-taek's resignation, Kim said his new party would hold dialogues with the Democratic Party if it pursues reform.

The lack of leadership, power-sharing party management and the money-based factional struggle for party leadership have put the Democratic Party in chaos, in effect paralyzing the party's ability to function, he charged.

In a related development, the 17 key members of Kim's new party met at the Hilton Hotel to form the new

party's inaugural planning group and to establish the rules that will govern the inaugural committee.

Democratic Party advisors Kim Sang-hyon, Yi Chong-chan, Chong Tae-chol and Yi Yong-hui and Vice Presidents Kwon No-kap and Han Kwang-ok are expected to be on the new party's inaugural committee which will officially be assembled at the end of the July.

The new party's inaugural convention will be held sometime near the end of August.

DLP Criticizes Comeback

SK1807052795 Seoul YONHAP in English
0441 GMT 18 Jul 95

[FBIS Transcribed Text] Seoul, July 18 (YONHAP) — The ruling Democratic Liberal Party (DLP) sharply criticized Asia-Pacific Peace Foundation Chairman Kim Tae-chung for his formal announcement declaring his political comeback at a press conference Tuesday morning.

He will never make the people understand his resumption of political activities by creating a new party, whatever excuse he may make, because he has broken his promise of political retirement to the people, DLP spokesman Pak Pom-chin said.

He, not behaving as an elder politician should, has gone back on his word from time to time, and his unethical acts will only increase the people's distrust of politicians, he added.

Pak called the two reasons Kim gave for his political comeback—the failure of the government and the Democratic Party—"as sheer quibbling," comparing him to "the past self-righteous and self-assertive dictators."

When he announced his retirement from politics in late 1992, people thought he would be remembered as a great politician in history, but today after seeing a shameless man possessed by a blind impulse for power, people will now remember him as a dishonorable politician, he remarked.

"Kim says he is acting according to his conscience but he is actually acting on an evil conscience," Pak said.

DP Spokesman Denounces Return

SK1807041595 Seoul YONHAP in English
0231 GMT 18 Jul 95

[FBIS Transcribed Text] Seoul, July 18 (YONHAP) — The opposition Democratic Party (DP) on Tuesday denounced former opposition leader Kim Tae-chung's announcement earlier in the day that he is creating a

new party, calling the move "a betrayal of the people and history."

"We deplore the decision which betrays the people and history for the sake of his own greed for power," the newly-appointed spokesman, Rep. Yi Kyu-taek, said in the statement.

"The act of pursuing power without paying due attention to the people and history is tantamount to a coup d'etat-like act. Owing to this, the nation's politics has come to veer off to a path of unhappy retrogression again," Yi lamented.

Pointing out that the support the citizens gave the Democratic Party in the June 27 local elections was not meant to invite Kim's political comeback or the creation of a new party, Yi warned, "Should he force his return to politics and inaugurate a new party, Kim will be censured as the mastermind who split the opposition party and will lose the public's trust."

The new party being organized by Kim is a personal party and will degrade into a party which holds regionalism hostage, the DP spokesman asserted, adding, "such a regional, personal party won't be tolerated by the people and won't win popular support."

National Assembly Marks Constitution Day

SK1707015995 Seoul YONHAP in English
0155 GMT 17 Jul 95

[FBIS Transcribed Text] Seoul, July 17 (YONHAP) — A ceremony celebrating the nation's 47th Constitution Day was held at the National Assembly hall on Monday [17 July] morning, with some 700 dignitaries, including House Speaker Hwang Nak-chu, Chief Justice Yun Kwan and Prime Minister Yi Hong-ku, attending.

In his speech, House Speaker Hwang said, "The Constitution has been amended nine times over the past four decades, but most of the amendments were made so rulers could strengthen their power and prolong their terms of office.

"However, the current constitution has been prepared under the nation's hope to realize true democracy and to cleanse the nation of authoritarianism. People should renew their determination and resolve to uphold the Constitution and its spirit," the speaker urged.

Seoul Mayor Pledges To Put Citizens First

SK1507010395 Seoul THE KOREA TIMES in English
15 Jul 95 p 1

[By city editor Pak Mu-chong]

[FBIS Transcribed Text] Seoul Mayor Cho Sun, elected in the first popular vote in 34 years, said yesterday that

he will allow no interests that will either impede his independence or jeopardize his duties as the people's mayor.

In what seemed like a declaration of independence from both the opposition Democratic Party [DP] and Kim Tae-chung, who nominated him, Cho pledged to show his resolve through actions.

The 67-year-old mayor, who was inaugurated at the collapse site of Sampoong Department Store on July 1, was discussing overall city affairs and his policy directions with senior journalists during a breakfast meeting hosted by the Korean Newspaper Editors' Association at the National Press Club.

To a flurry of questions about his future relationship with Kim Tae-chung who was making a political comeback after a three-year hiatus to lead the opposition camp once again, Cho said, "I think being a good mayor means working just for the citizens of Seoul. It is the only way to honor Mr. Kim Tae-chung, who recommended me."

"It's the Democratic Party who nominated me, but it's Seoul citizens who elected me. I think I am obligated to the citizens first," said Cho, who was elected as mayor of the metropolis of 11 million people, an office often dubbed "small president."

Then, he displayed a letter which an ordinary DP member sent to him, reading: "Cho Sun, forget yourself, your family and the Democratic Party, and work for the citizens." He said he placed the letter on his desk at his City Hall office and reads it every day.

Asked if he would join the projected political party to be led by Kim Tae-chung, or remain in the DP, he evaded directly answering the question, saying, "My status as mayor and administrative bureaucrat is more important than party affiliation."

"It is difficult for me to clarify my course after the party split at this moment. I have no reserve energy to worry about the party for I am now devoting myself to coping with the Sampoong incident," he added.

Cho, who had wrangled with the Kim Yong-sam administration as the governor of the Bank of Korea over the bank's independence and was forced to resign, forecast no particular friction between the central government and his Seoul metropolitan government.

"If a problem arises in our efforts to make a better city (due to friction with the central government), the implementation of local autonomy itself will be in trouble," he said.

Referring to the ever-deteriorating traffic conditions in the metropolitan area, whose improvement was one of his top campaign pledges, the elected mayor stated that his administration is studying diverse plans to help ease the gridlock, including the proposed introduction of a "mileage tax" which will double gas rates while lowering other automobile-related taxes and insurance fees.

But top priority will be placed on restricting private car use and increasing the number of commuters using buses and subways because there is a clear limit on expanding roads.

With regard to the Sampoong Department Store collapse that took place two days before his inauguration, Cho said that he would strengthen the city's safety control headquarters' jurisdiction on periodical inspections of private and public buildings and the prevention of shoddy construction.

"I will see to it that citizens will live a comfortable life by guaranteeing their persons and property safety during my three-year tenure," he said.

Apologizing for the city administration's incorrect tally of the missing people in the Sampoong disaster, he said that both the city government and the Socho-ku Ward Office confirmed the identities of the missing people by telephone or by visiting households and in the process, the confirmed figures were not announced to the citizens properly.

Health Officials To Monitor Foodstuffs Overseas

SK1407034595 Seoul THE KOREA HERALD in English 14 Jul 95 p 3

[FBIS Transcribed Text] The Ministry of Health and Welfare will send officials to more foreign countries to prevent imports of substandard foodstuffs.

As part of the plan, the government will dispatch an official to Geneva in Switzerland within this year, the ministry said in a report submitted to the National Assembly yesterday.

Geneva was selected because many international bodies including the World Trade Organization are located there, said Chong Pyong-cho in charge of international cooperation at the ministry.

He said the ministry will also dispatch such officials to Australia, China and Japan next year.

Saying that imports of food have increased sharply in recent years, Jung explained that the measure is designed to ensure the safety of foodstuffs, including agricultural products, imported from foreign countries.

Those officials will be engaged in collecting information on foreign foodstuffs, particularly farm products contaminated with chemicals and antibiotic substances.

For the dispatch of those officials, the ministry is now in close consultations with other related government offices.

Seoul Judges Oppose New Law School System

SK1407011895 Seoul YONHAP in English 0038 GMT 14 Jul 95

[FBIS Transcribed Text] Seoul, July 14 (YONHAP) — Judges at the Seoul High Court and Seoul District Court announced their opposition Friday [14 July] to the introduction of a new law school system for use by the Supreme Court, which the government is seeking to institute.

The 175 judges held meetings to debate the proposed reform of the law education system and voted on five propositions made by the Supreme Court, the Committee To Push for Globalization, the Justice Ministry and the Korean Bar Association.

Only one judge voted for the new law school system, which is based on the case law system of the United States and would rapidly increase the number of judges and lawyers.

The courts presented the results of their meeting and the voting to the Supreme Court.

Seoul May Allow Private Broadcasting Stations

SK1407072095 Seoul YONHAP in English 0655 GMT 14 Jul 95

[FBIS Transcribed Text] Seoul, July 14 (YONHAP) — The government would allow the establishment of private broadcasting stations in provincial main cities next year and in smaller cities in 1997 and beyond, information Minister O In-hwan said Friday [14 July].

Testifying at the parliamentary Culture, Sports and Information Committee meeting, he remarked the government would select new locations for additional broadcasting firms after carefully studying the business status of the four existing private stations in those prospective areas.

In reference to the cable television industry, he said the government would consider increasing the number of households covered by one broadcaster from the current 100,000 to 500,000, noting the present coverage area is small relative to the areas in advanced countries.

To help the industry increase its market competitiveness in preparation for its opening in 1997, the government

will allow program providers and system operators to invest up to 15 percent in each other, O said.

O anticipated that the number of households subscribing to cable television would increase to 500,000 by year's end.

To help promote the cable television industry, the government is studying plans to allow system operators to select their channels and to set different subscription rates based on the number of pay channels households subscribe to next year.

As for the Audit Bureau of Circulation (ABC) activities, he said the ABC would announce the number of subscriptions for newspapers before the world advertising convention is held in Seoul next June.

Mugunghwa To Start Broadcasting Next Year

SK1407055895 Seoul YONHAP in English

0523 GMT 14 Jul 95

[FBIS Transcribed Text] Seoul, July 14 (YONHAP) — South Korea will begin broadcasting via the Mugunghwa communications satellite to be launched next month starting from next year.

The Information Ministry, in a five-year broadcasting industry development plan submitted to the National Assembly Friday [14 July], said that two of the communication satellite's 14 channels would be assigned to the Korean Broadcasting System (KBS) in the latter half of this year and will test-run its satellite broadcasting network during 1996.

The Munhwa Broadcasting Corp. (MBC) and the Seoul Broadcasting System (SBS) will each be given one satellite channel next year for their satellite broadcasting needs.

Thus four of the 14 satellite channels will be set aside for broadcasting in the first phase of the satellite communication development program.

During 1996, a four-channel relay station for satellite communications will be installed for use in cable television broadcasting. Management of this relay station will be entrusted to the Korean Cable Communication Commission, in which cable television program providers may invest.

But new program providers will not be allowed to have a stake in the commission, and whether or not big businesses and existing media companies should be allowed to invest in the commission has yet to be decided, the ministry said.

The five-year plan also calls for the gradual extension of broadcasting hours — extending by 90 minutes this coming fall's broadcasting schedule and by two

hours next spring's, eventually providing 24-hour-a-day broadcasting in 1997.

Seoul May Take Brazil Import Dispute to WTO

SK1807040395 Seoul YONHAP in English

0236 GMT 18 Jul 95

[FBIS Transcribed Text] Seoul, July 18 (YONHAP) — South Korea is currently considering to bring a dispute to the World Trade Organization (WTO) regarding measures instituted by the Brazilian Government to restrict foreign automobile imports, including South Korean cars, to reduce Brazil's staggering trade deficit, a Foreign Ministry official said Tuesday.

South Korea's permanent representative to the United Nations office in Geneva Ho Sung on Monday delivered to his Brazilian counterpart in Geneva a letter stating that South Korea reserves the right under WTO regulations to counter the Brazilian Government's restrictions on South Korea's auto exports to the South American country, he said.

South Korea will closely examine the import restriction measures before bringing the case to the WTO Balance of Payment (BOP) Committee while consulting closely with the United States and Japan on the issue, according to the official.

South Korea has exported 35,142 automobiles valued at 276 million dollars to Brazil during the first five months this year.

Brazil's total import of automobiles reached about 170,000 units during the first half of the year.

The WTO BOP Committee will examine the legality of the import restriction measures during the next four months before making a decision as to whether they are in compliance with WTO regulations which allow member countries to impose import restrictions to protect them from an increasing trade deficit.

WTO regulations, however, ban member countries from taking measures to restrict certain import items while it allows restrictions to a general level of imports, according to the official.

Electronics Firms Investing Overseas

SK1507010595 Seoul THE KOREA TIMES in English

15 Jul 95 p 16

[FBIS Transcribed Text] Total investments of 1,555 million dollars were authorized in foreign countries by electronics firms at the end of last year and this year and in the next few years investment will continue to be galvanized.

The Ministry of Trade, Industry and Energy [MOTIE] said in a report yesterday that electronics firms have undertaken 467 foreign projects, by far the most attempted by a domestic industry.

MOTIE officials said the number of investments and their value have been picking up constantly since the end of the 1980s, and last year the 180 investments overseas were worth 410 million dollars.

"One distinctive characteristic of the investment by electronics companies is its growth in value.

"Last year's figure was a significant rise from the 134 million dollars in 1991 and the 147 million dollars the following year," MOTIE's Ha Kyong-won explained.

Meanwhile, the 410 million dollars last year is humbled by the recent announcement that Hyundai Electronics Industries (HEI) will be investing 1.3 billion dollars in a semi-conductor manufacturing plant in Eugene, Oregon sometime before the beginning of 1997.

Samsung Electronics, the world's largest maker of memory chips, is also expected to make public plans to invest a total of 1.5 billion dollars in either Portland, Oregon or Austin, Texas over the next couple of years.

The MOTIE officials said the main reason for the brisk pace of investments in foreign countries by electronics companies is the inability of Korean firms to maintain their competitive edge because of the high labor costs here.

"Besides labor costs, the lack of manpower, protectionism in foreign countries and the appreciation of the Korean won against major currencies are also forcing enterprises to manufacture elsewhere," Ha noted.

One example of protectionism is the imposition of anti-dumping duties on a number of Korean-made home electronic products, which has left companies no choice but to resort to local manufacturing.

By region, Southeast Asia has been the most popular destination of Korean investment.

A total of 542 million dollars had been spent in 178 projects there up until the end of last year.

Southeast Asia was followed by Europe with 367 million dollars, China with 325 million dollars, North America with 285 million dollars and Central and South America with 31 million dollars, the report revealed.

Ha said the trend to foreign investment is actually desirable since the local manufacture of the increasing share of Korean-made products in the global market is certain to soften resistance in foreign countries.

"In actuality, the pattern of global localization is strategically correct and should add to the competitiveness of Korea electronics companies in the long-run," the MOTIE official observed.

Shipbuilding Orders May Outpace Those of Japan

SK1307111195 Seoul YONHAP in English

1057 GMT 13 Jul 95

[FBIS Transcribed Text] Tokyo, July 13 (YONHAP) — South Korea is expected to receive more shipbuilding orders from the abroad than Japan this year owing to the soaring value of the yen currency, a material prepared by the Japan Ship Exporters Association indicated Thursday.

It said that the shipbuilding orders Japan received in the first half of this year totaled 3,780,000 tons, down 27 percent from the corresponding period of last year, while South Korea received 3,260,000 tons, a gain of 65 percent over a year before.

South Korea outran Japan twice — April and June — this year in the amount of foreign shipbuilding orders received.

In June, in particular, South Korea earned orders totaling 1 million tons, an increase of whopping 100 percent over last June, the material said.

The Japanese shipbuilding circles believe that if the same trend goes on, South Korea would outperform Japan in the market of foreign shipbuilding orders this year.

Hyundai Subsidiaries Active in Southeast Asia

Joint Venture in Vietnam

SK1707062595 Seoul YONHAP in English

0607 GMT 17 Jul 95

[FBIS Transcribed Text] Ho Chi Minh City, July 17 (YONHAP) — Hyundai Motor Co. and a Vietnamese state-run trading and investment company, 990 Co., signed a contract here Monday [17 July] for the establishment of a joint-venture [JV] automobile plant. Hyundai Group Chairman Chong Se-yong and a Vietnamese vice home minister were at hand at the signing ceremony.

Hyundai will put up 65 percent of the total 200 million U.S.-dollar investment, a company official said Monday.

Under the joint-venture project, Hyundai's first investment in the communist country, ground will be broken for the construction of an assembly line on a 150,000-pyong [one pyong = 3.954 square yards] plot of land within this year. Production of subcompacts, minibuses

and small and medium-sized trucks will begin in the latter half of next year, the official explained.

Meanwhile, Chong, leading his investment investigation team consisting of presidents of several Hyundai affiliates, met with ranking officials after the ceremony and promised that Hyundai would fully support Vietnam's efforts to develop its auto parts industry in order to help the country become a car exporter within a decade.

Exports to Malaysia, Thailand

*SK1507232795 Seoul THE KOREA HERALD
in English 16 Jul 95 p 8*

[FBIS Transcribed Text] Hyundai Precision & Industry Co. have landed orders worth \$96.5 million to supply trains to Malaysia and Thailand.

In Malaysia, Hyundai was awarded a contract to supply 66 electric cars worth \$60 million, a Hyundai spokesman said yesterday.

In Thailand, Hyundai received deals worth of a total of \$36.5 million to provide 22 luxury coaches, 100 container cars and liquefied petroleum gas cars.

Hyundai has been recognized for its accumulated technology it obtained while producing electric railcars for the domestic subway system, and large-size infrastructure projects are increasingly undertaken in the Southeast Asian region, according to the spokesman.

Kohap Signs Xylene Contract With Exxon

*SK1407021795 Seoul THE KOREA HERALD
in English 14 Jul 95 p 8*

[FBIS Transcribed Text] The Kohap Business Group has signed a contract with Exxon Chemical of the United States to supply 250,000 tons of mixed xylene, a raw material for producing para-xylene, annually to the former.

The agreement was inked by the representatives of the two sides at the American company's headquarters in Houston Wednesday.

The mixed xylene imported from the U.S. company will be supplied to Kohap Restructuring Plant in Ulsan, which is now producing 550,000 tons of purified terephthalic acid (PTA) per annum, a raw material for PET [polyethylene terephthalate] chips.

The Ulsan plant plans to raise its PET chip production capacity from the current 550,000 tons to 1 million tons by 1997, said a group spokesman, adding that several products ranging from basic chemicals to finished products are churned out within the same restructuring plant, thus enhancing its competitiveness.

The group is also planning to establish a second PTA plant at home or abroad.

Overseas Construction Orders Up Jan-Jun

*SK1407023495 Seoul THE KOREA TIMES in English
14 Jul 95 p 8*

[FBIS Transcribed Text] Korean companies won \$2,973 million worth of construction orders overseas during the first half of this year, up 43.5 percent from the \$2,072 million recorded the year before, the Overseas Construction Association of Korea has reported.

An association official said that domestic companies have received a growing number of orders thanks to active development in Southeast Asia.

Hyundai Engineering & Construction Co. topped the list of 37 companies with 13 orders worth \$1,085.5 million, an impressive 131.6 percent increase.

The 13 projects include a waste water treatment plant and the fifth stage of the Suntek City development project in Singapore and a power transmission station in Indonesia.

Having received orders for hospital construction and the Suntek City development project in Singapore, Ssangyong Engineering & Construction Co. placed second with \$413.6 million, for an increase of 80.4 percent.

Sinhwa Construction jumped to third with orders worth \$365 million, including a thermal power plant worth \$312 million in Singapore, this was 10 times the figure recorded the year before.

Daewoo Corp. won orders worth \$229.4 million, including a \$46 million runway construction project at a Malaysian airport and a \$71 million condominium construction project.

Jinro emerged fifth with orders worth \$136.9 million. Samsung, Pyoksan, Halla and Daelim Industrial placed from sixth to 10th.

With the increase in orders, Hyundai has increased its targeted goal for this year by 50 percent and other construction companies also intend to increase their goals, the association official said.

Daewoo Wins Malaysian Skyscraper Order

*SK1507010595 Seoul THE KOREA HERALD
in English 15 Jul 95 p 8*

[FBIS Transcribed Text] The construction division of Daewoo Corp. has won a \$240-million order to build a 77-story intelligent building in Kuala Lumpur from Telekom Malaysia Berhad, the Malaysian-state-run

telecommunications company, a Daewoo spokesman said.

Construction period will be 30 months beginning in August, with completion scheduled for early 1998.

The new Telekom building is said to symbolize "VISION 2020," Malaysian Prime Minister Mohammed Mahathir's ambitious economic blueprint aimed at developing the Malaysian economy into the ranks of developed nations.

The skyscraper is in the shape of a bamboo shoot and will contain a sky garden, a heliport, a recreation center and a large performance venue, said the Daewoo spokesman.

"The timing of the order is a testimony to Daewoo's construction ability," he said, in reference to widespread concerns that the recent bout of construction-related disasters in Korea is eroding the credibility of Korean builders in overseas markets.

Meanwhile, a statistic by the Overseas Construction Association of Korea indicate domestic builders' overseas contracts rose by 41 percent in the first half of this year.

Korean builders secured a total of 79 projects in the Jan-June period, compared with 56 a year ago. Total value was quoted at \$2.97 billion.

Sampoong Death Toll Reaches 436

SK1807020195 Seoul YONHAP in English
0033 GMT 18 Jul 95

[FBIS Transcribed Text] Seoul, July 18 (YONHAP) — With debris removal accelerated from the collapsed Sampoong Department Store in Seoul Monday, 19 days after the building cave-in, body recovery operations are likely to be completed within the next few days.

Rescuers unearthed 55 bodies Sunday, the largest tally for one day, 41 more bodies Monday and three Tuesday morning, bringing the death toll from the nation's worst man-made disaster to 436 as of 8:00 AM Tuesday [2300 GMT 17 July].

Meanwhile, those listed as missing number 232 and the number of the injured now stands at 396, according to an official tally released by Seoul Disaster Headquarters.

With 77.8 percent of the total 33,000-odd tons of debris removed to as far down as the third basement floor of the five-story, four-basement level building, authorities expect that body removal operations will be completed within the next two or three days.

Rescue operations for more possible survivors continued Monday at 10 locations on the site with 192 rescuers mobilized, but no survivors were found.

Seven rescuers assigned to each piece of removal equipment are making last-minute efforts to search for survivors in the debris, shutting down forklifts and other heavy machinery whenever holes are found, listening and lowering cameras into spaces to search for signs of life underneath the rubble.

Pak Sung-hyon, a 19-year-old female employee of the department store, who was miraculously freed from the debris last Saturday after being trapped for 16 days in the rubble, is recovering quickly at St. Mary's Hospital in Kangnam and is reported in a stable condition, according to doctors there.

Site 'Special Disaster Area'

SK1807042295 Seoul YONHAP in English
0249 GMT 18 Jul 95

[FBIS Transcribed Text] Seoul, July 18 (YONHAP) — President Kim Yong-sam will proclaim the site of the collapsed Sampoong Department Store a "special disaster area" during a statement he is scheduled to deliver on Wednesday, a presidential secretary said Tuesday.

President Kim will express his deep sympathy for the bereaved families of the victims who died in the building's collapse and will pledge to make every effort to rescue possible survivors as well as promise to prevent a repeat of such a disaster, the secretary said.

The government held a meeting of the cabinet and the central safety measures commission under the chairmanship of Prime Minister Yi Hong-ku and approved bills on the proclamation of the disaster control law and the enactment of a related implementation decree.

The disaster control law passed a National Assembly deliberation last Saturday.

The Construction and Transportation Ministry, after receiving a proposal from the Seoul city government, made a recommendation to President Kim that he proclaim the area surrounding the Sampoong Department Store a special 67,100 square-meter disaster area.

With the proclamation, the government can provide 250 billion-300 billion won to the rescue activities, treatment of the injured, relief to victims and the restoration of damaged facilities.

Brunei, Malaysia & Singapore

Malaysia

Foreign Minister Comments on Spratlys Incidents

BK1507144995 Kuala Lumpur UTUSAN MALAYSIA
in Malay 15 Jul 95 p 33

[FBIS Translated Excerpt] Johor Baharu 14 July — If the incidents that occurred lately around the Spratly Islands are not brought under effective control, they will affect regional security negatively and in turn, will endanger this country.

Foreign Minister Datuk Abdullah Ahmad Badawi said, however, so far the worrying little incidents have been brought under control by the claimant countries through mutual understanding and consensus.

"The stability in our region will be affected if these small incidents and other incidents that endanger us are not properly clamped down on," Abdullah said during the "Meet the Leader" program today on Radio Three. [passage omitted on conflict between China and the Philippines over the Spratlys]

Abdullah said, basically, the ASEAN member countries, China, and Vietnam have agreed to resolve all overlapping claims amicably in accordance with the ASEAN Declaration on the South China Sea adopted in Manila in 1992.

"We believe that the declaration is important and by firmly adhering to it, we have managed to control the situation around the Spratlys even though there have been minor incidents occurring there," he added. Abdullah said the claimant countries had come to an understanding on resolving the overlapping claims issue through negotiations that include a third party.

Although China was reluctant to refer the issue to a third party and wanted to settle it among claimant countries, Abdullah said it became necessary to refer it to a third party to avoid tension in the region.

He said it is very important to maintain peace and stability in the South China Sea because this is of international significance.

Responding to a participant's question on ASEAN, Abdullah said Malaysia is very fortunate to be included in this closely-knit organization.

Praise

He said even though ASEAN is a small package, it is in a stable position and has plenty of development resources.

Abdullah welcomed the cooperation among the Group of 15 developing countries [G-15] proposed by Prime

Minister Datuk Sri Dr. Mahathir Mohamed. The G-15 is gaining popularity now.

He said South-South cooperation had become a common among developing countries and he was proud that they participate in this.

Responding to another participant's question, Abdullah reiterated that Malaysia will withdraw its peacekeeping force from Bosnia-Herzegovina only after the United Nations Protection Force (UNPROFOR) is dissolved.

He said Malaysia's firm position on this matter has won great respect not only from Bosnia-Herzegovina, but from all Muslim countries.

Military Intelligence Chief on Spratly Dispute

BK1807125495 Kuala Lumpur UTUSAN MALAYSIA
in Malay 16 Jul 95 p 9

[FBIS Translated Text] Port Dickson, 15 Jul — The issue of overlapping claims to the Spratly Islands will drag on for quite a long time because no "formula" has so far been found to resolve it.

Lieutenant General Raja Datuk Abdul Rahid Raja Badiozaman, chief of the Malaysian Armed Forces Defense Intelligence Unit, said the conflict can be settled through a common commitment by all claimant countries to own and develop the Spratlys together under a joint venture [preceding two words in English] program.

"This conflict will go on for a long time. It is difficult to settle because the characteristics of the claims vary from one country to another," he told journalists at the end of the retirement parade held at the Army Basic Training Center, PUSASDA, here today.

He said that the oil-rich Spratlys, situated in the South China Sea, are claimed wholly or in part by Malaysia, China, Vietnam, Brunei, the Philippines, and Taiwan.

Raja Abdul Rashid said there are four basic factors that make the conflict difficult to settle. Due to the geographic situation, the claimant countries find it difficult to give up their claims to the Spratlys because they involve the sovereignty of the countries concerned.

It is also related to natural resources and the military presence that has been posted in the area, whereby claimant countries consider their military position as a sign of "possession" or "ownership."

"I am afraid that if the overlapping claims issue is not settled, an unexpected eventuality will emerge either accidentally or due to a lack of understanding on the matter," he explained.

He said that friction between the claimant countries is thus likely to occur, and if it develops out of control there will be conflict among them.

Raja Abdul Rashid added that a basis for conflict exists, but he does not foresee any claimant to the islands using military force.

He said close relations among the claimant countries on the basis of military diplomacy are important so that no serious clash will break out and any misunderstandings can be settled at the initial stage.

He urged that overlapping claims be settled bilaterally, without the involvement of a third party that might make things more complicated.

Cambodia's Hun Sen Seeks To Reassure Investors

BK1807050695 Kuala Lumpur UTUSAN MALAYSIA in Malay 16 Jul 95 p 9

[FBIS Translated Text] Petaling Jaya, 15 Jul — Cambodian Second Prime Minister Hun Sen has advised Malaysian investors not to be influenced by slanderous remarks spread by extremist groups in Cambodia. They are trying to obstruct the flow of Malaysian investment into that country.

Hun Sen said the extremists visited Malaysia, and when they returned to Cambodia persuaded certain groups of people not to allow Malaysian businessmen to invest their capital there.

He said this group asked the Cambodian Government to review the investment agreements signed between the two countries.

"In this connection, I held a meeting with Prime Minister Datuk Sri Dr. Mahathir Mohamed to explain the actual situation and told him to ignore the accusations made by the extremists.

"During the talks, the two sides agreed to continue cooperation based on the agreements signed earlier, including the accord between Royal Air Cambodge and the Malaysian Government," he said.

Hun Sen said this to journalists after attending a briefing on the development of Sunway township. He visited the site at the invitation of Datuk Jeffrey Cheah, president of the Sungei Way Group.

During the visit, Jeffrey briefed Hun Sen on the Sunway township project. They also visited the Sunway College and the Sunway Lagoon Theme Park.

Hun Sen said that Cambodia has launched an intensive promotional drive to regain the confidence of Malaysian investors.

He said that government action has forced the extremist group to stop its slander and has provided coordinated support to projects that involve Cambodian and Malaysian participation.

He reiterated the assurance given by Prince Norodom Ranariddh, first prime minister of Cambodia, on the security situation in the country.

"I assure you that the situation in the country is safe and we welcome Malaysian investors who want to expand their business in Cambodia," he added.

Hun Sen said foreign investment is important to Cambodia in its effort to resolve the unemployment crisis and create more job opportunities in the country.

Mahathir Reaffirms Support for Bosnia

95SE0151B Kuala Lumpur BERITA HARIAN in Malay 2 Jun 95 p 2

[FBIS Translated Text] Kuala Lumpur, 1 Jun—Malaysia has reiterated its guarantee not to withdraw members of the Malaysian Battalion (MALBATT) assigned to the UN Protection Force (UNPROFOR).

Prime Minister Datuk Seri Dr. Mahathir Mohamad made this guarantee to his counterpart from Bosnia-Herzegovina, Dr. Haris Silajdzic, in a talk here today.

Speaking to reporters, Foreign Minister Datuk Abdullah Ahmad Badawi said that all Malaysian peacekeeping troops will be kept in the Balkan country, although observers will be brought home.

"Malaysia's commitment to help the Bosnian people to create peace in that country remains high," he said.

Describing the talk as very good and extremely cordial, he said that Dr. Silajdzic informed Dr. Mahathir of the worsening conditions in Bosnia and asked support from Malaysia.

As for augmenting the MALBATT in Bosnia-Herzegovina, Abdullah said there was no detailed discussion about this by the two leaders, but the government remains committed to do so.

"We have just made the decision to augment military personnel in Bosnia. We will do it after we have considered several aspects. It may need the approval of the cabinet," he said.

On 21 January, the government had announced the augmentation of the MALBATT in Bosnia-Herzegovina from 1,633 to 3,000 men, the greatest number since this country began to be involved in peacekeeping missions.

Datuk Seri Najib Tun Razak, defense minister at that time, said the government was offering to the United

Nations an additional battalion and two companies (mechanized) equipped with armored vehicles.

Asked when the observers from Malaysia will be brought home, Abdullah said that several procedures need to be followed before the effort can get under way.

Paper Applauds Government Support for Bosnia

*95SE0151A Kuala Lumpur BERITA HARIAN
in Malay 3 Jun 95 p 10*

[Editorial: "Malaysia's Firmness in Opposing Tyranny"]

[FBIS Translated Text] Malaysia's decision yesterday to send humanitarian aid to Bosnia-Herzegovina expresses the country's concern and consistent policy toward helping the people of the former Yugoslav republic. Although the contribution is small compared with the help that could be offered by the international community, especially the developed countries, it is very significant for alleviating the problems and sufferings of the victims of the Bosnian war. Malaysia's willingness to do this illustrates the country's determination to continue support for the struggle of the Bosnian people. This humanitarian aid, which includes seven categories of medicines and medical equipment, will be sent as soon as possible for distribution to the thousands of victims of the war in Bosnia-Herzegovina. Earlier, on 5 May, Malaysia contributed 120 metric tons of margarine and ghee made of palm oil to the Government of Bosnia-Herzegovina.

Contributions of humanitarian aid to other countries are not foreign to Malaysia. Usually, it is given at one time to alleviate problems being borne by a country. This time, the approval of aid was forwarded personally by Prime Minister Datuk Seri Dr. Mahathir Mohamad to his counterpart, Dr. Haris Silajdzic, who had presented his request in their meeting yesterday. It is hoped that more pharmaceutical companies and suppliers of medical equipment will come forward to offer their contributions.

Such humanitarian aid is indeed appropriate. It shows that our humanitarian feelings are strong and that the compassionate attitude of our people is not limited to our own country. We extend sympathy and aid to the Bosnian people, who are suffering the tyranny of Serb terrorists. We hope this step taken by Malaysia will be imitated and followed by other countries, particularly the developed countries. Without international medical aid, the sufferings of thousands of victims of the Bosnia-Herzegovina war will worsen, and the casualties will increase.

Besides extending humanitarian aid, Dr. Mahathir reiterated Malaysia's position of continued support and help for the struggle of the Bosnian people, who have been

pounded by war for more than three years. Malaysia repeated its guarantee not to withdraw members of the Malaysian Battalion (MALBATT) assigned to the UN Protection Force (UNPROFOR). Malaysia has also agreed to augment the MALBATT from 1,633 to 3,000 men, which will be the country's greatest involvement since the UN peacekeeping mission to the Congo in 1960.

Malaysia's longstanding firm and consistent position of opposing tyranny and injustice in Bosnia must be emulated by other Islamic countries with strong financial resources. They need to be united in extending humanitarian aid to Bosnia, which is now being denied the right to defend itself by the international community. We believe the developed countries, especially in the West, will remain indecisive in resolving the Bosnian conflict as long as there is no benefit for them. In fact, the United Nations, which was entrusted with resolving the conflict in the former Yugoslav republic, has failed to do so and has often been teased by Serb terrorists. The most recent development, in which Serb terrorists took more than 300 peacekeeping personnel hostage so that NATO planes would not attack them, shows the weakness of the world body.

In their meeting, Dr. Mahathir and Dr. Silajdzic also confirmed the agreement to create and expand economic activity and cooperation. The agreement will give opportunity to Bosnians to invest here, although it is difficult for Malaysian businessmen to do business or invest there at this time. We highly praise the government's decision to allow Bosnian businessmen to open business agencies or participate in projects in this country. This will permit Bosnians to continue with economic activity as preparation for a massive effort to restore the economy when the war is over. In this way, they will clearly help the process of rebuilding their country, which has suffered much damage in the war. The action to provide business opportunities to Bosnian investors and companies here is initial preparation for rebuilding that country's economy.

Government Proclaims 'Zero Inflation Day'

*95SE0151C Kuala Lumpur BERITA HARIAN
in Malay 3 Jun 95 p 4*

[FBIS Translated Text] Kuala Lumpur, 2 Jun—The government has proclaimed the first Saturday of each month, beginning 1 July, as Zero Inflation Day in the effort to control inflation in this country.

Datuk Abu Hassan Omar, minister of domestic trade and consumer affairs, said today that all merchants are advised to hold sales by offering primary necessities at

fair prices, and consumers are encouraged to visit such stores to avoid excessive spending.

He said that, besides ensuring that consumers will obtain goods more cheaply, he was encouraging merchants to show a more responsible attitude without thinking only of profits.

He said Deputy Prime Minister Datuk Seri Anwar Ibrahim will launch the new program at Kota Kinabalu on 1 July. It will also be implemented throughout the country.

"This Zero Inflation Day program emphasizes the importance of the roles of consumers and merchants as they stand shoulder to shoulder with the government to achieve the goal of zero inflation.

"It also gives opportunity to them (consumers and merchants) to identify and understand their real responsibility to control inflation, rather than emphasizing the role of the government alone," he told reporters at the Islamic Center today after a meeting to launch World Consumer Day and the 1995 Anti-Inflation Campaign, which has the theme "Zero Inflation—Our Goal."

Prime Minister Datuk Seri Dr. Mahathir Mohamad opened the meeting, which was attended by almost 500 people, including representatives of consumer associations and nongovernmental organizations. During the meeting, the prime minister also presented awards for prominent consumer, most active district consumer affairs council, most active state consumer affairs council, store with most reasonable prices, and best scholastic consumer club.

Abu Hassan said the government is not going to require that all merchants and supermarket operators follow the instructions to hold one-day sales.

"We merely encourage them to hold sales to mark Zero Inflation Day. However, they need to request permission to hold such sales by submitting a list of items involved to the ministry, following the sale procedure that has been established," he said.

He said the government will extend the Zero Inflation Day program into next year if it finds it appropriate.

Abu Hassan said in his speech that the government has laid down five main principles that need to be emphasized by merchants: always keep adequate stocks of goods, maintain stable and fair prices, stock goods of quality and best value for the money, do business in a fully ethical and responsible way, and maintain customer loyalty by honesty and good service.

"Merchants should not raise prices arbitrarily simply to rake in excessive profits. That is not only an unwise

action with short-term profits, but it hurts the merchant's own business," he said.

Indonesia

Relations With Australian Armed Forces 'Good'

BK1707145395 Jakarta SUARA PEMBARUAN in Indonesian 14 Jul 95 p 1

[FBIS Translated Excerpt] Jakarta, 14 Jul — General Feisal Tanjung, commander of the Armed Forces of the Republic of Indonesia [ABRI], has described as correct and appropriate the appeal of members of the House of Representatives of the Republic of Indonesia to President Suharto to indefinitely postpone his planned state visit to Australia.

"That will be the best. The House of Representatives represents the people. They are your representatives," the Armed Forces commander told reporters following a function marking the handing over of the post of commander of the Presidential Security Guard from Brig. Gen. [Brigadier General] Sirajuddin to Brig. Gen. Sugiono in Jakarta on Friday morning (14 July).

However, Armed Forces Commander Feisal Tanjung reaffirmed that relations between the ABRI and the Australian Defense Forces have not been affected by the cancellation of the appointment of Lt. Gen. [Lieutenant General] Herman Bernard Leopold Mantiri as Indonesian ambassador to Australia.

"There are no problems, and relations between the Armed Forces of the two countries remain good," the armed forces commander said.

On a separate occasion, ABRI General Staff Chief Lt. Gen. Suyono said that there has been no instruction to postpone a joint exercise between the ABRI and the Australian Defense Forces.

There has been no instruction to postpone the joint exercise and preparations are proceeding normally because the joint exercise is necessary. We have spent a lot of funds for the exercise. However, Suyono added that a change will be possible if conditions such as weather or other factors warrant it. [passage omitted on the swearing in of the new commander of the Presidential Security Guard]

Alatas Leaves 18 Jul for 3-Day Visit to China

BK1807104195 Jakarta ANTARA in Indonesian 0824 GMT 18 Jul 95

[FBIS Translated Text] Jakarta, 18 Jul (ANTARA) — Foreign Minister Ali Alatas left Jakarta this afternoon for a three-day visit to China. Among other things, he

will discuss with Chinese leaders the border issue and efforts to boost economic ties between the two countries.

"During the visit, there will be no specific discussion on the sea boundary in the South China Sea," Alatas told journalists at the Merdeka Presidential Palace on Tuesday.

Alatas said that his visit to Beijing is at the invitation of Chinese Foreign Minister Qian Qichen to discuss several bilateral, regional and international issues.

An official from the Chinese Foreign Ministry recently said that his country had never make any claim to the Natuna Islands. However, they would like to discuss issues relating to the South China Sea. Responding to a journalist's question, Alatas said that the international issue that he will discuss with Chinese officials is nuclear testing.

"We would like to discuss ways on how to reach a comprehensive test-banned treaty [preceding four words in English] because China had endorsed the treaty yet is still conducting tests," Alatas said.

Sutrisno Receives Philippine Defense Secretary

BK1707131295 Jakarta Radio Republik Indonesia Network in Indonesian 0700 GMT 17 Jul 95

[FBIS Translated Text] The Philippine Government has expressed its appreciation for Indonesia's assistance in organizing the talks between the Philippine Government and the Moro National Liberation Front, MNLF, and for the service of the Indonesian observers in ensuring that the two sides observe the cease-fire agreement.

The Philippine Government statement was conveyed by Renato de Villa, Philippine secretary of national defense, during a courtesy call on Vice President Try Sutrisno at the Merdeka Selatan vice presidential palace in Jakarta today.

Vice presidential spokesman Sumardi told journalists that according to Renato de Villa, the Philippines has, in general, achieved national stability. De Villa said that since 1992 there have been no coups d'etat in his country. In the past, strikes were staged by workers' unions to fight for their political interests, but now their objective in holding strikes is clearly to demand better treatment and better welfare benefits from employers. He said there are scarcely any student protests on campuses now, unlike previously, when students were very militant and held frequent demonstrations to protest against the government. Further proof that national stability in the Philippines has improved is the approximately 6.2 percent annual economic growth over the last few years, while inflation has been contained at about 6.2 percent per year.

Vice President Try Sutrisno expressed the hope that the current firm national stability in the Philippines will continue to strengthen.

Caution Urged in Granting Amnesty for Communists

BK1707131195 Jakarta Radio Republik Indonesia Network in Indonesian 0000 GMT 17 Jul 95

[Station commentary]

[FBIS Translated Text] Commenting on the amnesty for G-30-S/PKI [30th September Movement/Indonesian Communist Party] detainees, Parliament Speaker Wahono says the issue must be considered carefully. Wahono cited Article 14 of the 1945 Constitution which stipulates that only the president has the prerogative to grant amnesty to these detainees. However, before granting such an amnesty, the president should first consider the issue carefully.

Wahono made the remarks when he closed the fourth meeting of the 1994-95 parliamentary session, adding that the country must continue to be vigilant against the latent threat of the PKI, but that such vigilance must not obstruct national development efforts. Wahono believes that any political ideology, including communism, will not disappear easily from this world. He also points out the fact that PKI was a mass-based party which paid much attention to the training of new cadres. G-30-S/PKI detainees are also highly qualified communist cadres.

Wahono said communist remnants may still exploit dissatisfaction among the members of the public who live below the poverty line or have become victims of development. The house speaker's remarks and advice for the president are indeed worth paying attention to and should serve as a warning to all Indonesians that communism, which had managed to prosper in our country in the past, is still a latent threat. The brutality of the communists also serves as a bitter experience in that they caused us to lag behind in development efforts and lose the country's best sons. Based on this way of thinking, all of us should continue to be vigilant against PKI remnants. Therefore, we must pay attention to the possible impact of amnesty for G-30-S/PKI remnants.

The Pancasila ideology has thus far been very effective in strengthening the country's unity and integrity and will also serve as a deterrent against communism. Our rapid development has also destroyed the seeds of communism because communism can only grow and thrive in poor societies. The New Order government has given high priority to the eradication of poverty and has gradually made people more prosperous. At the

same time, the strengthening of faith in God has also made our country stronger and more united.

Philippines

U.S.-SRV Ties Part of Power Balance in Asia

BK1707145495 Quezon City MALAYA in English

14 Jul 95 p 6

[Article by Ellen Tordesillas: "Balancing Power in Asia"]

[FBIS Transcribed Text] It was with a personal touch that President Ramos welcomed the normalization of relations between the United States and Vietnam last Wednesday.

"It is past time for the two countries to put behind them the tragic past, heal the wounds, and search for a common ground for the future," the president said.

The president should know about the wounds of war. He witnessed the brutality of war when he led the Philippine Civic Action Group [PHILCAG] to South Vietnam from 1967 to 1968.

The PHILCAG, a Philippine contribution to the historically proven-wrong American crusade against communism, was a medical, engineering, and community mission.

Re-establishment of diplomatic relations between the US and Vietnam signals the maturing of the US after 40 years of childish display of power (20 years of military aggression and another 20 years of economic snub and diplomatic snub).

It comes two weeks before Vietnam's formal entry into the Association of South East Asian Nations when the first ASEAN ministers meet in Brunei on 29 July.

"Vietnam will be joining ASEAN later this month and this development cannot but strengthen further ASEAN's relations with an important dialogue partner, the United States. We trust that it will contribute significantly to regional stability," the president said.

Asked to comment on the observation of political analysts that Vietnam's integration to mainstream Southeast Asian would check any expansionist intention, if there is nay, of China, the president wisely avoided the question.

"The accession to ASEAN of Vietnam should be taken at its face value, meaning, that the six member countries of ASEAN would like to have Vietnam as a member," the president said adding that he is looking forward to the day when ASEAN will also include Laos, Cambodia and Myanmar [Burma].

The president said ASEAN is not an aggressive "or a war-making kind of an organization." He, however, stressed that "ASEAN provided great support to the Philippine position" in the South China Sea when it protested the installation by the Chinese structures in the Mischief Reef, only some 130 nautical miles from Palawan.

House Speaker Jose de Venecia spoke about "geopolitical balance of power" in welcoming the normalization of relations between US and Vietnam and the entry of Vietnam to ASEAN.

Asked if a strong ASEAN with Vietnam in would be an effective balance to the growing military and economic might of China, de Venecia replied, "Draw your own conclusion. What I want is for us to develop the principle of achieving balance."

Sen. Francisco Tatad, the more knowledgeable about foreign relations among our 24 senators, said, "With or without the Chinese issue, the policy of the US, if we read it correctly has consistently been to re-establish relations with countries they have been at war with. Remember, Japan for instance, the US played 'a very important role in reconstructing Japan because it is part of its commitment to peace, to make sure that former adversaries work together along constructive lines."

"Any development that would unduly alter the balance of political power should be watched very carefully and studied by our policy makers because we cannot have a static foreign policy. We have to have a dynamic policy that adjust to the realities as they develop," Tatad said.

Asked if we should be content with the Chinese assurance that despite conflicting claims in the Spratlys, the sealanes, where oil supply of the US and from the Middle East pass through, would be kept open, Tatad said, "We have to accept assurances but we also have to think of the unthinkable."

MNLF's Misuari Wants Meeting With Ramos

BK1807142495 Quezon City GMA-7 Radio-Television Arts Network in Tagalog 2230 GMT 17 Jul 95

[FBIS Translated Text] MNLF [Moro National Liberation Front] Chairman Nur Misuari has called for a private meeting with President Ramos to discuss peace in Mindanao. According to Misuari, he needs the one-on-one meeting with President Ramos in order to finalize peace negotiations between the government and the MNLF. Malacanang, so far, has not responded to Misuari's appeal.

The third and last rounds of peace negotiations have been suspended after the government panel and the

MNLF could not agree on the issue of the areas to be included under a MNLF proposed provisional government in Mindanao, Sulu, and Palawan [Minsupala]. Meanwhile, Misuari has been campaigning actively for the proposed provisional government in the Minsupala area and to obtain support for the proposed Muslim autonomous rule. On the other hand, the GRP [Government of the Republic of the Philippines] panel stressed that Misuari's proposed government should abide by the Constitution, which requires that the issue must be resolved by the people through a plebiscite.

Development Projects Worth P32 Billion Approved

*BK1707085195 Manila PHILIPPINE DAILY
INQUIRER in English 13 Jul 95 p B1*

[FBIS Transcribed Text] Thirteen projects amounting to P[Philippine pesos]32 billion were approved yesterday by the National Economic and Development Authority (Neda) board, which is chaired by President Ramos.

Finance Secretary Roberto de Ocampo said that the majority of the projects would be funded under the official development assistance (ODA) package extended to the country through various bilateral and multilateral ties.

De Ocampo said the projects cover a wide range of sectors: environmental protection, basic education, infrastructure support, agrarian reform, irrigation and power.

Included was a P3.6-billion rehabilitation project for the Mindanao section of the Pan-Philippine Highway and a P3.3-billion project for the second phase of the modernization of the Philippine regional municipal development project.

"The Pan-Philippine highway rehabilitation project aims to strengthen interregional transport as well as economic linkages in Mindanao. It passes through Agusan del Sur, which is among the 19 Social Reform Agenda priority provinces pointed out by the President," De Ocampo said.

The other two projects involve the expansion of radar coverage to practically the entire Philippines and the development of key cities which exhibit great potential for regional development, respectively.

Another project, called the Casecnan transbasin multi-purpose project and worth over P13 billion, was also approved to be contracted under the government's build-operate-transfer (BOT) scheme.

De Ocampo also reported the Board's notation of the proposed project agreement of the 50-megawatt power plant to be constructed under the 440-megawatt

Leyte-A geothermal plant project also under the BOT arrangement.

The other approved projects were the agrarian reform support project; the Palawan tropical forest protection program; the Philippines-Australia program on basic education; the improvement of the national monitoring program on pesticide residue in agriculture and the environment and pesticide formulation the third phase of the rural environmental sanitation project; the fourth phase of the provincial cities water supply upgrading project; the Boracay environmental infrastructure project, and the second phase of the irrigation systems improvement project.

Thailand

New Cabinet Appointments Announced

*BK1807120195 Bangkok Radio Thailand Network
in Thai 1045 GMT 17 Jul 95*

[FBIS Translated Text] Announcement on the appointment of cabinet ministers [read by Cabinet Secretary Witsanu Khrua-ngam]:

Royal Signature: Phumiphon Adunyadet, Rex

His Majesty the King Phumiphon Adunyadet has graciously commanded that it be announced that per his appointment of Banhan Sinlapa-acha as prime minister in accordance with the announcement dated 13 July 1995, Prime Minister Banhan Sinlapa-acha has now selected qualified persons to be appointed as cabinet ministers to administer the affairs of the State. Empowered by Article 163 of the Constitution of the Kingdom of Thailand, the fifth amendment of 1995, His Majesty the King has therefore graciously appointed the following cabinet ministers:

- Air Chief Marshal Sombun Rahong as deputy prime minister
- General Chawalit Yongchaiyut as deputy prime minister and defense minister
- Police Lieutenant Colonel Thaksin Chinnawat as deputy prime minister
- Bunphan Khaewatthana as deputy prime minister
- Samak Sunthorawet as deputy prime minister
- Amnuai Wirawan as deputy prime minister
- Pongphon Adireksan as minister attached to the Prime Minister's Office
- Ruangwit Lik as minister attached to the Prime Minister's Office
- Piyanat Wathacharaphon as minister attached to the Prime Minister's Office
- Prasong Bunphong as minister attached to the Prime Minister's Office

- Charat Phuachai as minister attached to the Prime Minister's Office
- Rakkiat Sutthana as minister attached to the Prime Minister's Office
- Phokhin Phonlakun as minister attached to the Prime Minister's Office
- Surakiat Sathianthai as finance minister
- Praphat Phothesuthon as deputy finance minister
- Newin Chitchop as deputy finance minister
- M.R. Kasemsamoson Kasemsi as foreign minister
- Montri Phongphanit as agriculture and cooperatives minister
- Suwit Khunkitti as deputy agriculture and cooperatives minister
- Chanchai Pathummarat as deputy agriculture and cooperatives minister
- Chatchai Ia-sakun as deputy agriculture and cooperatives minister
- Monthon Kraiwatnusun as deputy agriculture and cooperatives minister
- Wanmuhammatno Matha as communications minister
- Sombat Uthaisang as deputy communications minister
- Phiraphong Thanomphongphan as deputy communications minister
- Somsak Thepsuthin as deputy communications minister
- Chaiphak Siriwat as deputy communications minister
- Chuchip Hansawat as commerce minister
- Sub-Lieutenant Phairot Suwannachawi as deputy commerce minister
- Montri Danphaibun as deputy commerce minister
- Banhan Sinlapa-acha as interior minister
- Suchat Tancharoen as deputy interior minister
- Kiatchai Chaichawarat as deputy interior minister
- Mrs Sudarat Keyuraphan as deputy interior minister
- Major General Sonchai Montriwat as deputy interior minister
- Police Captain Chaloem Yubamrung as justice minister
- Phisan Munlasatsathon as minister of labor and social welfare
- Yingphan Manatsikan as minister of science, technology, and environment
- Udomsak Thangthong as deputy minister of science, technology, and environment
- Sukkhawit Rangsitphon as education minister
- Chingchai Mongkhontham as deputy education minister
- Police Lieutenant Chawarin Latthasaksiri as deputy education minister

- Sano Thianthong as public health minister
- Sora-at Klinprathum as deputy public health minister
- Thawatwong na Chiang Mai as deputy public health minister
- Chaiwat Sinsuwong as industry minister
- Sonthaya Khunplum as deputy industry minister
- Anuson Wongwan as deputy industry minister
- Bunchu Trithong as minister of the State University Bureau

This announcement becomes effective immediately.

Announced on 18 July 1995, being the 50th year of the present reign

Countersigned by Banhan Sinlapa-acha, prime minister

Banhan Reaffirms Integrity of Ministers

BK1807134595 Bangkok Radio Thailand Network in Thai 1200 GMT 18 Jul 95

[FBIS Translated Text] After the royal command appointing cabinet ministers was announced, Prime Minister Banhan Sinlapa-acha held a press conference at his residence on Charan Sanitwong Road. Talking about an audience with the king to get a royal signature on his appointment of the cabinet ministers, Banhan said two major concerns the king mentioned were traffic and water.

[Begin Banhan recording] He mentioned two things in general, traffic and irrigation. I would rather be brief about this because there are many details. His majesty is concerned about the problems of Bangkok traffic and about irrigation in general. Finally, the Office of the Royal Secretariat has set the date for swearing in the new cabinet ministers, which is scheduled for 1630 on 20 July. [end recording]

The prime minister also answered questions about his selection of finance minister, who is not someone from the financial and monetary sector.

[Begin Banhan recording] I think there should be no problem with the finance minister. He is a young man with a burning desire to work, and I believe he will perform his duty with efficiency. [end recording]

Asked about the economic situation, especially the trading in the stock markets, the prime minister assured that stock trading performance would improve. As for the reservations expressed by the public concerning the integrity of certain of his cabinet ministers, the prime minister said no one can point an accusing finger at them as long as there is no proof.

[Begin Banhan recording] The information we have was not enough to prove them wrong. Therefore, it is impossible for us to indicate which counts they are responsible for.

I am assuring you that any of my cabinet ministers will be subject to legal action if there is any evidence against them. There will be no protection for them, certainly. [end recording]

Official Denies Politicians' Alleged Drug Links

BK1807053895 Bangkok THAILAND TIMES
in English 18 Jul 95 p A3

[FBIS Transcribed Text] Bangkok — The Commissioner of the Office of Narcotics Suppression Bureau, Somchai Milintharangkun, yesterday confirmed no Thai politicians have been involved in the drug trade as alleged by the United States.

"The department has not found any politician who has been involved in drug trafficking," Somchai said.

Two Chat Thai politicians, party deputy leader Watthana Atsawahem and Thoet Thai faction leader Narong Wongwan, have been accused by the US of involvement in the drug trade. The US has warned the Thai government not to give any ministerial post to the two, otherwise the countries' bilateral relations will be adversely affected.

Somchai said the US has made the accusation without any clear evidence, adding there were just rumors about the politicians' alleged involvement in the illicit trade.

He added the US will listen to the department because it has performed its duties seriously. However, he said, he could not personally guarantee any person's non-involvement as per US allegation.

Meanwhile, Phalang Tham leader Thaksin Chinnawat said the US should have clear evidence for its accusation and Thailand should call on the US to present such evidence.

Thaksin said, "The US should reveal the evidence, otherwise the politicians will fall from shame, which in turn will destroy our country's image." Thailand has no evidence to support the US accusation, he added.

Watthana Comments on U.S. Drug Charges

BK1807031295 Bangkok BANGKOK POST
in English 18 Jul 95 p 6

[FBIS Transcribed Text] Chat Thai deputy leader Watthana Atsawahem claims he is relaxed about the situation surrounding the US allegation of his involvement in drug trafficking.

He said yesterday he was willing to sacrifice the interior minister post as the public seemed to understand and accept him.

"I am glad and relieved that I have passed on the post to others. There was no need for me to hold on to this initial pledge (to take the post) because people already understand the real situation," Mr Watthana said.

He claimed he had been framed and that made it necessary for him to pledge to get the interior portfolio.

"People understand that our country is sovereign and that other nations should not intervene in our internal affairs," said Mr Watthana.

"What was going on was the formation of our government — not a foreign one."

He said he was ready to prove himself anywhere since he had never committed the offence alleged.

If he had done something wrong, the allegation should not have been left for a year while no action was taken.

"Take me anywhere to prove my innocence — anywhere, heaven or hell."

Mr Watthana said fellow Chat Thai member Narong Wongwan, also accused by the US of links with drugs, was a victim too. He declined further comment.

U.S. Explanation of Drug Charges Suggested

BK1807031195 Bangkok BANGKOK POST
in English 18 Jul 95 p 6

[FBIS Transcribed Text] Phalang Tham Party leader Thaksin Chinnawat yesterday suggested the United States explain alleged false information implicating former Phrae MP Narong Wongwan in drug trafficking.

He said the US would be put to shame if the article published in NEW YORK NEWSDAY, suggesting the Central Intelligence Agency's allegations about Mr Narong were based on false information, proved true.

The Thai Government should demand clear information from the US on the issue as it had tarnished the reputation of Mr Narong, he said.

Mr Thaksin, asked whether the information given by the US was doctored during the rule of the now-defunct National Peace-keeping Council, said he did not know if there had been manipulation by a certain person.

He said the Office of Narcotics Control Board had absolutely no idea about the drug allegation, although it was spread widely in the US.

It also shocked all Thais.

Mr Thaksin, for a long time a reported financial supporter of Mr Narong's Thoet Thai faction in the Chat Thai Party, said he supported Mr Narong's nomination as interior minister.

"He (Narong) would deserve any position if he could clear the allegations," Mr Thaksin said.

If Chat Thai considered Mr Narong well-respected in the party, deserving of the position, then he could accept it without any problems.

He said Prime Minister Banhan Sinlapa-acha would concurrently hold the post of Interior Minister as a short-term solution to ongoing conflict in the Chat Thai Party.

This would give Mr Narong time to clear himself of the allegations before taking the post.

ASEAN Membership for Burma Welcomed

*BK1507095095 Bangkok THE NATION in English
15 Jul 95 p A3*

[FBIS Transcribed Text] Thailand said yesterday it would "more than" welcome Burma's joining Asean, saying Burma's proposed accession to the group's Treaty of Amity and Cooperation was a step toward a 10-member Asean.

Foreign Ministry spokesman Suwit Simasakun said he understood that Burma had informed this year's Asean chairman, Brunei's foreign minister Prince Bolkiah, of its wish to sign the treaty.

Accession to the 1976 Asean treaty is a prerequisite for joining the six-member Association of Southeast Asian Nations.

"Thailand regards Burma's move as a positive sign for regional peace and prosperity," Suwit said.

He said Thailand began to encourage Burma to join Asean when Thanat Khoman was foreign minister.

Asean senior officials will discuss Burma's approach when they meet in preparation for the Asean meeting in July, according to Suwit.

A Bangkok-based Asean diplomat meanwhile said the Burmese ambassador to Jakarta had informed Asean Secretary General Ajit Singh a few weeks ago of Burma's intention to sign the treaty.

"I don't think Burma wants only to probe the possibility, but it is willing to do so," said the diplomat, who asked not to be named.

"This is a good thing that Asean will not deny. This indicates that Burma is willing to take on a certain commitment."

Prior to his attendance at Asean's annual meeting last year, Burmese Foreign Minister U Ong Gyaw said Burma was interested in joining Asean but would need time to study the process.

Suwit said, "Thailand has long wished that all 10 Southeast Asian countries would join the grouping, which could then be called the Asean 10. Rangoon's* willingness to participate in Asean is an important development which could bring Asean 10 into reality."

Asean now comprises Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand. Vietnam, now an Asean observer, will become the seventh Asean member at the July meeting in Brunei, while Cambodia will become an observer.

Burma will also attend the annual meeting as guest of the host country. It will be the second time the country has participated in an Asean meeting, after attending the meeting in Bangkok last year.

According to Suwit, Rangoon's willingness to sign the treaty clearly shows that it is prepared to comply with the principles envisaged in the treaty, which include non-interference in international affairs, non-aggression, non-use of force against other Southeast Asian States and adopting peaceful means for solving problems.

However, he said it was unlikely that Asean could obtain a consensus on Burma in time for its accession to the treaty at the upcoming Asean ministerial meetings starting on July 29.

Pacific Basin Economic Council Membership Okayed

*BK1807070595 Bangkok BUSINESS DAY in English
18 Jul 95 p 3*

[FBIS Transcribed Text] Thailand's application to join the Pacific Basin Economic Council (PBEC) was accepted by the group's board of directors during a recent meeting in Auckland.

The Thai committee, chaired by Chot Sophonphanit, chairman of C.S. Capital and Green Spot, will officially join the economic body at its 29th International General Meeting in Washington next May.

An application by Indonesia to join was also accepted by the PBEC, which was founded in 1968 by regional business leaders who saw that the future lay in open trading and investment.

Thailand and Indonesia will become the third and fourth Asean members to enter the PBEC joining Malaysia and the Philippines.

PBEC Chairman, Russell Fynmore, said the business communities in both Thailand and Indonesia "have realized the economic challenges and opportunities that lie ahead in the coming years."

He added that in joining the PBEC, Thai and Indonesian businesses can help foster a commercial environment that is mutually beneficial to their emerging economies and the entire region.

Describing Thailand and Indonesia as "two great economies," the PBEC secretary-general, Robert Lees, said the significance and importance of the two countries "cannot be overlooked by people doing business in the region."

Mr Lees said the PBEC committees in the two countries "will ensure that their business communities take full advantage of the increasing liberalization of trade and investment in the region."

Members of Thailand's committee include Dr Narongchai Akkharaserani, chairman and CEO of General Finance and Securities; Anan Atsawaphokhin, chairman of Land and House; Piya Malakun, president of Pacific International Communications; and Sirin Nimmanhemmin, president of Krung Thai Bank.

In a related development, sources said the PBEC has offered its services as a permanent business advisory to the Asia Pacific Economic Co-operation (Apec) forum. The PBEC's offer came in the form of two policy papers it recently submitted to Apec for consideration by senior officials and the Pacific Business Forum (PBF).

The idea of a business advisory forum to Apec was first recommended by the PBF in their 1994 report, and was the subject of deliberations in Tokyo last week.

PBEC's paper emphasizes the need for a "voice of business" in the Pacific region, adding that such a voice is essential in Apec's decision-making process. It suggests that PBEC is ideally structured to represent the broad cross-section of businesses in the region.

Editorial Urges Caution in Ties With Burma

*BK1607151495 Bangkok THE SUNDAY NATION
in English 16 Jul 95 p A4*

[Editorial: "Too Soon For Full Trade And Political Ties With Burma"]

[FBIS Transcribed Text] The eyes of the world are once again on Southeast Asia. At the beginning of the week, the military junta in Burma surprised the world when they released Nobel Peace laureate Aung San Suu Kyi.

Six years of house detention and separation from her family had not broken the determined will of Suu

Kyi to fight for her people's freedom. "Democracy means respect for the people. Democracy means a government which is consummate with the will of the people. Without that respect, you cannot call it a real democracy," she told reporters after her release.

Suu Kyi's release by the junta calling itself the State Law and Order Restoration Council [Slorc], however is just one step — albeit a very important one — in a broader process that must begin immediately. In fact she herself has said: "I have been released. That is all. Nothing else has changed."

The international community needs to be reminded of this fact before rushing into the country with development aid.

It is heartening to note that Japan has seriously taken into account Suu Kyi's words. Late Friday, a top official in Tokyo said Japan will not yet resume full-fledged official loans to Burma despite the Nobel laureate's release. Speaking to KYODO NEWS AGENCY, he said Suu Kyi's release was "a big, important step" so that Japan will offer some financial aid to Burma "to show how the international community welcomes" the development. But the release is not enough for Japan to fully resume official development assistance (ODA) to Burma, the official added.

For Japan to completely lift its freeze on ODA, Burma should hammer out a specific timetable for the transfer of power to civilians, he said. Japan has suspended ODA to Burma since a military coup in 1988, and has limited its aid to small-scale humanitarian aid. Last March, Japan extended 1 billion yen in food aid to minority groups in Burma, a move government officials described as an attempt to convey a message to Burma to make further efforts to return the country to democratic rule and improve human rights.

US Republican Senator Mitch McConnell, the chairman of the Senate Appropriations Committee's Foreign Operations Subcommittee, last week planned to introduce legislation in Congress to ban American investment and trade with Burma and suspend bilateral and multilateral assistance to countries which trade with the Slorc. The legislation would have also required the US president to negotiate agreements with other nations to secure support for sanctions.

Suu Kyi's release by Slorc however put that proposed bill on hold. But McConnell's proposed legislation, the 1995 Free Burma Act, has not been dropped. The Kentucky senator made it known in Washington that unless President Clinton can certify within the next two weeks that the Slorc has met certain conditions, he will move

forward with the Act. These conditions include the release of all political prisoners, the implementation of an effective narcotics eradication and control regime consistent with the Foreign Assistance Act, the transference of power to civilian authorities, and the guaranteed protection of basic political and human rights.

"It is my intention to carefully monitor progress in the next two weeks in Burma. If there are no concrete steps taken to initiate a process of national reconciliation, to formalize the transfer of power to a civilian government, and correct the appalling record of human rights abuses, I will move forward with my legislation," he said in a statement.

Reestablishing full trade and political ties with Burma at this juncture would be playing into the hands of the Slorc. Suu Kyi herself said "it is too soon to rush into anything. Potential donors should wait and see whether there is a genuine move towards reconciliation and a democratic system of government."

The Nobel laureate's advice can be compared to that of South Africa's Nelson Mandela when he was released in 1990. Mandela did not call for the end of sanctions against the South African white regime until three years after he was released.

Suu Kyi has also called for a dialogue with the Slorc to negotiate the peaceful transfer of power. In her statement on the day she was released, the National League for Democracy leader takes note of the fact that a majority of the people in Burma voted for democracy and a market economy in 1990.

There is a window of opportunity now for the Slorc to respond to overtures for national reconciliation in Burma. Unless this is seen to be happening, the appropriate approach for the moment with the Burmese military junta must be that of caution. The regime is still holding an entire nation hostage.

Consortium To Invest in SRV Telecom Project

*BK1707142495 Bangkok BUSINESS DAY in English
17 Jul 95 p 1*

[Report by Charuwan Ngamman]

[FBIS Transcribed Text] Jasmine International Chairman and CEO [chief executive officer] Dr Adisai Photharamik at the weekend provided more details regarding the recent contract signed between NewTel, a mainly Thai consortium and Sigelco, a Vietnamese firm which holds a concession to develop a nationwide telecommunications network.

Sigelco, which will be renamed the Army Electronics Telecommunications Company of Vietnam (Vietel),

received the license from the Vietnamese Defense Ministry on June 13 to develop the national network, which includes military installations.

Dr Adisai revealed that the NewTel consortium consists of six companies including Goldman Sachs, a U.S.-based financial institution and the major shareholder of the consortium. Jasmine's other partners are One Holding, Nikko Securities, Italian-Thai Development and CKDS Thailand.

"The six companies that make up the consortium have a joint commitment to provide financial and human resources to NewTel," said Dr Adisai.

He said NewTel has already registered, but he declined to reveal the amount of registered capital.

Dr Adisai also refused to comment on earlier reports that the investment could reach 100 billion baht. He said he could not reveal the figure as the project had been granted only recently and official estimates have yet to be made. However, he said it was a huge project involving a wide variety of telecommunications facilities.

"The agreement will cover development of all telecommunication manufacturing and services in Vietnam," said the Jasmine chairman.

The project's initial stages of manufacturing will include wireless telephone terminals, basic telephone equipment and electronic equipment to serve domestic demand.

Development plans also include basic telephone services and international gateway services. Additional services including a paging service, a mobile phone network and cable television are also provided for in the agreement said Dr Adisai. Plans have also been made to export to the international market in the near future, he said. Dr Adisai said that NewTel will set up a number of telecommunication product outlets in Vietnam, similar to Jasmine's Smart Shops in Thailand, to supply a full range of equipment.

Vietnam at present has only 400,000 telephone lines to service 73 million people.

Vietnam

Vo Van Kiet Receives Outgoing Israeli Envoy

*BK1407152295 Hanoi VNA in English
1511 GMT 14 Jul 95*

[FBIS Transcribed Text] Hanoi VNA July 14 — Prime Minister Vo Van Kiet received here today Israeli Ambassador David Matnai, who paid him a farewell visit before concluding his working terms in Vietnam.

Prime Minister Kiet noted with pleasure that the diplomatic relation between the two countries has seen fine progress though it has been established for only two years. He hailed positive contribution made by the ambassador to the development of the bilateral relations. He highly appreciated the achievements and experience of Israel in economic, technological and scientific fields, especially the biological area. Vietnam, now in the process of industrialisation and modernisation, would like to share those experiences with Israel for the interests of its national construction. Mr. Kiet expressed his wish that the two countries would early sign a framework agreement, on bilateral economic, cultural, scientific and technology cooperation, which could serve as a basis for their cooperative development for mutual benefits and for prosperity of each country.

The Israeli diplomat affirmed that potential for cooperative ties between the two countries was great and that Israel was ready to expand cooperation with Vietnam on transferring technology, expertise, and personnel training in the fields of bio-technology, telecommunications, the production of cement, sugar, and so on. He told Prime Minister Vo Van Kiet that the Israeli foreign minister would visit Vietnam by the end of this year with the aim to boost the friendly and cooperative ties between the two countries.

Radio Reviews Relations With Indonesia

*BK1407133595 Hanoi Voice of Vietnam in English
1000 GMT 14 Jul 95*

[FBIS Transcribed Text] Vietnam and Indonesia share many historical similarities. This partly explains why the two countries have had cooperative and friendly relations, which have been further developing. We review relations between Vietnam and Indonesia.

Indonesia established diplomatic relations with Vietnam in 1964 and since then their bilateral ties have been developing, especially in this latest era. It has been marked by exchange visits by senior delegations of the two states and the signing of an agreement on bilateral cooperation. During those exchange visits, leaders of both countries affirmed their determination to further develop their bilateral comprehensive ties in both scope and scale.

Indonesia has always supported Vietnam's participation in ASEAN and other regional and international organizations. Vietnam, for its part, has also been supporting Indonesia's activities as president of the Nonaligned Movement and Indonesia's active contributions to a stable and prosperous region as well. Indonesia has a developed agriculture, and cooperation between Indonesia and Vietnam in this field has also been fostered, resulting in the signing of a number of agreements and memorandum of understanding between agricultural services of both sides.

Indonesia has been a stable importer of Vietnam's rice and other farm products. In return, Vietnam has been importing Indonesia's fertilizer. Indonesia plans to cooperate with Vietnam in the production and processing of farm produce and in helping to train Vietnamese managers in rubber and coffee production. It is encouraging that Vietnamese leaders have always reiterated that Indonesia was prepared to share with Vietnam its own experiences in agricultural production and its farm produce market and to increase the quality of Vietnam's farm produce so that it is suitable for export.

Trade relations between Vietnam and Indonesia have also been on the rise. The two-way trade turnover has reached \$2 million. Indonesia stands 15th among foreign investors in Vietnam with \$160 million invested in dozens of projects, including oil and gas exploitation on Vietnam's continental shelf. Another major project that Indonesia has invested in is hotel construction in Hanoi valued at \$35 million and a contract on coal, industry, and construction worth \$27 million.

Indonesia has also invested in other projects, including (? sugar cane) processing, hotel construction, transport, tourism, and agriculture and is cooperating with Vietnam in family planning. There are also prospects for Vietnamese-Indonesian cooperation in post and telecommunications, forestry, and education.

The people of Vietnam have always admired the support and assistance as well as the fine feelings reserved by the Indonesian Government and people and believe that the friendship and cooperation between the two countries will continue to develop.

Australia**Editorial Views U.S.-Japanese Auto Dispute**

BK1607145995 Sydney *THE AUSTRALIAN FINANCIAL REVIEW* in English 29 Jun 95 p 16

[Editorial: "Car Wars May Topple Dominoes"]

[FBIS Transcribed Text] The showdown between the United States and Japan over trade in cars and car parts has been building up for almost two years. Far from being simply about cars the fight concerns the whole future of US-Japanese trade and, equally important, the future of trade in the entire Asian region.

Given this, the worst thing that could happen now is for the two countries to come to some sort of compromise agreement which fails to resolve the fundamental issues which lie behind the dispute.

The most important of these is the way in which Japan has constantly dragged its feet over the issue of opening up its markets to full-scale competition from foreign exporters. Instead of doing this it has resorted to a whole array of artificial barriers which have made it extremely difficult for foreign companies to get more than a small foothold in Japan.

In the case of cars, it has used just about every trick in the protectionist book. Beside the more obvious ones, these have included restrictive dealership agreements which limit an importer's ability to get cars to the buying public. As well, there are complex safety and environmental regulations which restrict the availability of imported parts.

No doubt the US car makers could have done a lot more to overcome these barriers. Yet while they have shown little initiative in this area, the fact remains that the barriers exist — and they hurt all foreign car makers, not just the Americans.

More important, the barriers which protect the Japanese market from foreign cars are symptomatic of the whole Japanese approach to trade. While keen to export vigorously they are much less willing to accept that overseas manufacturers should have open access to its domestic market.

Nor is it just manufacturers. As Australians know only too well, attempts to sell rice to Japan are confronted by a complex network of restrictions. While the Japanese are happy enough to accept our minerals and coal, they are much less willing to open up their farm sector to genuine competition.

In the past Japan's unwillingness to open up its markets reflected the strong protectionist stance of the once all-powerful Liberal Democratic Party. Today, with Japan ruled by a weak coalition, it reflects a government

which has neither direction nor decisiveness — a fact painfully demonstrated by its inability to come up with a reform package which seriously addresses the country's growing economic problems.

This situation appears to have left Japan's Trade Minister, Mr Ryutaro Hashimoto, with a great deal of freedom to pursue his own agenda. Unfortunately, he has little to gain politically by agreeing to a compromise in the face of President Clinton's threat of sanctions against Japanese cars imported to the US.

By rebuffing the US Mr Hashimoto, a man who aspires to be Prime Minister, has been able to improve his standing in the polls. While President Clinton also has an eye firmly fixed on his political support, the push by the US is driven by much more than just domestic politics.

If the US achieves the breakthrough it wants, not only will its car manufacturers get greater access to Japan but there is a strong chance it will provide substantial impetus for a move towards a much more wide-ranging opening up of Japanese markets. This, in turn, would put pressure on other Asian countries, particularly China, to wean themselves off their dependence on protection.

By triggering this sort of domino effect in trade throughout Asia, the car fight between the US and Japan would deliver a major boost to free trade, in the process serving the long-term interests of Australia — a country which has done more than most to discard its protectionist security blanket in an effort to harness the efficiencies that can flow from increased competition.

Ideally, the remaining part of the century would not only see a much more emphatic move towards free trade in the Asian region but also in North America and Europe. Once again Australia stands to gain from such a change, especially one which involved the US and France abandoning their heavy subsidisation of agriculture.

Although the Uruguay Round and the resulting World Trade Organisation agreement produced some gains in these areas, there is still an extremely long way to go. In the meantime Australian farmers are among those who pay the price in the form of lost export sales.

From Australia's perspective, the gains to be made by advancing the free trade agenda mean that the most appropriate policy stance in the current car fight is one which supports the wider aims which lie behind the US push.

The risk is that the deal which is eventually done will be one which gives the US preferential treatment, at the

expense of other countries. If so, it will be yet another case of the fighting elephants trampling the grass.

'Opportunity' for Domestic Makers

BK1707151595 Sydney *THE AUSTRALIAN FINANCIAL REVIEW* in English 30 Jun 95 p 24

[Report by Michael Dwyer and Michael Lynch]

[FBIS Transcribed Text] The Federal Government and Australia's peak car parts manufacturing industry group yesterday said the peace deal to end the US-Japan trade stand-off could have positive spin-offs for Australian auto parts producers.

The Federal Government said the rapprochement represented a "window of opportunity" for the Australian car components industry to capture a share of the \$US6 billion in new auto parts which Japan has now agreed to import each year.

The Federal Minister for Trade, Senator McMullan, told Parliament yesterday Australia should look at the deal as the creation of a significant opportunity rather than merely the avoidance of a serious problem.

"This creates a window of opportunity for Australian automobile parts manufacturers," Senator McMullan said.

"The Government and the industry in Australia will be examining the fine print of the agreement to make sure there is nothing in the detail or in its implementation that might disadvantage Australia," he said.

Mr Malcolm Stewart, the director of the Federation of Automotive Products Manufacturers, said the indications were that the US had "achieved considerable concessions in deregulating Japan's complex and monopolistic distribution system which has effectively barred many foreign products from its market.

"This should benefit Australian suppliers, although we must be careful to ensure that the targets for purchasing cars and parts implied in the agreement do not prejudice Australia's opportunity in both markets."

Senator McMullan also warned that Australia would take action in the World Trade Organisation [WTO] if the deal disadvantaged Australian industry.

"If anything should arise which causes us concern we are very well placed to take the opportunity to pursue our interest in the WTO."

The Prime Minister, Mr Keating, also said the US-Japan deal was very welcome to Australia because "both sides have indicated that there will be no disadvantage for third countries in this agreement.

"The Government will be analysing the details closely to ensure that this is the case and to identify opportunities from this liberalisation for Australian exporters of auto parts," Mr Keating said.

Mr Keating also said the agreement was important for the stability and security of the world trading system.

"A trade war between the US and Japan, the world's two largest economies, would have been in no-one's interests," he said. "The US-Japan relationship is too important to the entire Asia Pacific region, and globally, to be continuously buffeted by trade frictions."

Adelaide steel wheel maker ROH Industries is one of the Australian component industries' largest suppliers to Japan, selling \$30 million [Australian] worth of alloy wheels a year to carmakers such as Honda, Suzuki, Nissan and Daihatsu.

Mr Bob Foster, a director of the company, said "we had not been threatened with any loss of business, and we would hope that we could increase our business with Japan."

Mr Grant Anderson, managing director of Britax Rainsford, a South Australian-based automotive mirror producer which supplies Mazda and Suzuki cars and Isuzu trucks, said, "I would hope there will be a positive effect from the trade deal."

His company earns about \$10 million [Australian] from its Japanese exports.

Canberra Urges APEC on Trade Barriers

BK1607152895 Sydney *THE AUSTRALIAN FINANCIAL REVIEW* in English 28 Jun 95 p 12

[Report by Michael Dwyer]

[FBIS Transcribed Text] Australia is urging APEC [Asia Pacific Economic Cooperation] members to adopt specific action plans for removing trade barriers from as early as 1996, while calling for a deferral of discussions on whether an open approach to trade liberalisation in the region should be adopted.

In a background paper released yesterday, Australia has called on APEC leaders to embrace the use of twin implementing mechanisms for trade liberalisation in the region: individual action plans alongside a program of collective action.

The background paper, which has been prepared by Australia in the lead-up to the next meeting of APEC leaders in Osaka in November, also calls for the creation of a mechanism to review these individual action plans in 1997.

The release of the background paper comes in the wake of signs of growing tension between the United States and Japan over the direction of APEC's ambitious free trade agenda.

Australia has also become involved in this heated debate, pushing for the removal of the principle of non-discrimination from the final communique to be adopted at Osaka.

The Australian background paper argues that APEC should adopt "a politically realistic approach (to trade liberalisation) that would be credible and effective".

The central thrust of the Australian strategy is the adopted of "concerted liberalisation" as the basis for progressing towards the free trade goals laid down by APEC leaders at Bogor last year.

The Federal Minister for Trade, Senator McMullan said yesterday the principle of "concerted liberalisation" was now beginning to develop broad support within the APEC community.

"What we have in APEC is a group of economies all starting from different positions but agreeing to head towards agreed and ultimately common goals," Senator McMullan said.

"It is the Australian Government's judgment that there is no will within APEC — but also no need — to proceed to these goals from each country's starting point in an identical way," he said.

The Australian background paper also outlined a number of specific "collective action" initiatives likely to be adopted at Osaka, including a pilot mutual recognition agreement for food products and a common customs action plan.

But Senator McMullan rejected the need for the Osaka meeting of APEC leaders to confront the issue of whether APEC should proceed with its trade liberalisation program on a non-discriminatory basis.

"Depending upon how we progress under the individual action plans, and the collective action proposals, we may never explicitly need to confront (the issue of non-discrimination) at all," he said.

"There has been broad acceptance among APEC members that any attempt to force a decision in 1995 on whether APEC, at some time in the future, should adopt a (non-discriminatory) or a preferential approach to liberalisation would be as pointless as it would be potentially divisive," the background paper said.

The release of the Australian background paper yesterday precedes a meeting of APEC senior officials in Sapporo next week.

PRC Trade Group Seeks Investment Opportunities

*BK1607153495 Melbourne Radio Australia
in English 1100 GMT 16 Jul 95*

[FBIS Transcribed Text] One of the most influential trade delegations from China to visit Australia has arrived for a two-week visit aimed at securing investment opportunities in a range of industries.

The delegation is headed by the assistant minister of foreign trade and economic cooperation, Zheng Zinhua [as heard], and includes representatives of the biggest trade and investment houses linked to the ministry. They include the metals and minerals company, Minmetal, and the wool importer, Chinatex. As well as promoting investment in China, the delegation will be assessing opportunities for Chinese companies to invest in Australia's resources and agriculture sector.

By the end of last March, China had approved nearly 2,000 Australian direct investment projects with almost 2.5 billion [Australian] dollars.

Article Considers Defense Policy Priorities

*BK1707153995 Sydney THE AUSTRALIAN
FINANCIAL REVIEW in English 5 Jul 95 pp 23-24*

[Article by Geoffrey Barker: "Planners Agree On Key Policy Concepts"]

[FBIS Transcribed Text] Developing coherent and credible national defence policies is one of the most complex, critical and troubling intellectual problems facing Australia's political leaders.

Complex because of the extraordinary mix of geographic, strategic, military political, economic, technological, industrial and personnel variables that have to be weighted and integrated to shape defence policy.

Critical because ultimately the survival of the nation may be at stake. In a competitive and anarchic world of competing interests and unequal powers, there is little room for mistakes in defence policy.

And troubling because there is no one straight and permanently marked path to assured national security in a world undergoing post-Cold War adjustments.

National security is an imprecise science that is hostage to ambiguous basic concepts such as "credible threat" and "potential capability" in a multi-polar world.

These conceptual difficulties are, as we shall see, being exacerbated by the continuing practical problem of recruiting and holding the sort of men and women needed to manage an increasingly sophisticated military machine that requires far more than grunts who can march and fire a rifle.

Military, civilian and academic experts can, and do, disagree passionately over defence policy: patriotism and paranoia, sentiment and cynicism, intersect.

There is no assured framework for analysis of the balance of power and interests in the world.

Yet, thanks to Professor Paul Dibb's 1992 monograph *The Conceptual Basis of Australia's Defence Planning and Force Structure Development*, there is now a clear, if not often acknowledged, statement of what Australia's defence planners assume to be key concepts in shaping defence policy.

Professor Dibb lists the key Australian defence concepts as "our unique geography, the limits to regional military potentialities, credible contingencies, and warning time and the defence preparations needed for a major assault against us".

At the heart of these notions is the concept of warning time, given Australia's geographic position below the vast northern archipelago that stretches from Sumatra to New Caledonia.

Defending this so-called "sea-air gap" is, in the words of the Defence Minister Senator Robert Ray, the primary responsibility of Australia's military forces.

Last year's Defence White Paper summed up the issue succinctly: "Australia could be most easily attacked in the north where our sea and air approaches are shortest, so we need to pay particular attention to defending that area by being able to undertake operations in our northern approaches and across northern Australia."

It is on the basis of warning time across the sea-air gap that threat assessments are made and policy developed.

Professor Dibb notes it is "simply not prudent (or affordable) for defence planning to be based upon worst-case scenarios, and on incredible threats".

So Australia plans against credible potential capabilities on the basis of what has become known as "defence self-reliance" — requiring Australia to maintain military capabilities to defend the country without depending on help from the combat forces of other countries.

At present, Australia's defence planners agree there are no credible threats to Australia, although, as the White Paper argues, "the relative peace in Asia may not last".

They point to relative shifts in the economic strength and strategic assertiveness of great and potentially great powers like the US, Japan, China and India, and to force modernisation programs being undertaken by the increasingly affluent ASEAN countries.

Confronted by possible long-term uncertainty flowing from these inter-acting economic and strategic move-

ments, Senator Ray says Australia has to develop a basic platform for defence that is capable of expanding with the emphasis on high technology.

So despite continuing constraints on defence budgets, Australia is embarked on a long-term \$32 billion [Australian dollars] capital equipment program which is aimed at maintaining Australia's high-tech military edge in the region.

Projects underway include the \$5.8 billion construction of eight ANZAC [Australia New Zealand Army Corps] frigates, \$4.9 billion for six Collins-class submarines, major upgrades of the F/A-18, F-111 and PC-3 aircraft, the \$1 billion Jindalee over-the-horizon radar network.

All these projects aim to deter any potential enemy from trying to approach Australia across the sea-air gap.

At the same time, efforts are being made to reorganise the Army, relocate it in northern Australia and make it more mobile with new armoured vehicles and communications systems. The Army would be the key service if an adversary penetrated the sea-air gap.

Despite the attention inevitably focused on strategic assessments and capital equipment purchases by Australia and its neighbours, Senator Ray says recruiting, managing and holding personnel will be the major challenge facing defence planners over the next decade.

"Making decisions about equipment and technology are relatively easy," he says.

"It can take up to 10 years' to train a military force to be able to use equipment with optimum effect."

The problem, as he sees it is that cultural change in Australian society is prompting many people to change jobs frequently.

Military life is especially onerous because it involves frequent moves, often to remote areas, and because it can impose the strain of separation on families.

Already the military services are finding it hard both to recruit good capable people and to hold people who have acquired skills in the military.

Senator Ray says airlines sought to recruit pilots trained by the RAAF [Royal Australian Air Force]; military-trained air-traffic controllers, skilled tradesman and computer operators were also in heavy demand.

"It's not just conditions of service. They are not too bad," he says.

"It is how we are to run people in the system so we able to get value for the training we invest."

Another long-term problem increasingly apparent to defence planners is the problem of how to maintain the high-tech skills now possessed by increasing numbers of Australian firms who have become involved in supplying major projects like the ANZAC ships and the Collins class submarines.

As these programs wind down, the relatively recently acquired skills of smart Australian firms will be lost unless they can find other applications or other markets.

So thrusting firms like Transfield, which is building the ANZAC frigates, is pushing hard for orders in countries like Malaysia, Kuwait and other places.

Not surprisingly given the current strategic outlook defence is not a high-profile political issue at present.

Equally, it is not an area of serious contest between the Government and the Opposition.

The broad strategic analysis is accepted by the Coalition partners, although for reasons of political differentiation they say they would alter some emphases and priorities.

New Zealand

Parties Agree on Strategy To Stop French Tests

LD1807102195 Melbourne Radio Australia
in English 0900 GMT 18 Jul 95

[FBIS Transcribed Text] A meeting of political parties in New Zealand has agreed on a joint strategy to try to stop the proposed French nuclear tests. South Pacific correspondent Erina Redden reports New Zealand will pursue all international legal options against France, as well as sending a vessel to support a peace flotilla at the nuclear testing site a Mururoa:

[Redden] Six of New Zealand's seven party leaders met in the prime minister's office to plot the country's strategy against nuclear testing. The opposition parties are lobbying to send a frigate to Mururoa because of its superior rescue and communications facilities. But the government wants to send a [word indistinct] which, although smaller, will be able to remain stationary in the area longer. The level of official representation on the ship is not yet clear. The leaders also agreed to pursue international legal options, such as through the United Nations and the World Court, or consider sending a delegation to the European Parliament. A further meeting will be held in 10 days time.

Article Considers Political Fragmentation

BK1807050995 Sydney THE AUSTRALIAN
FINANCIAL REVIEW in English 6 Jul 95 p 13

[Article by Selwyn Parker: "Political Party Game May Work in Bolger's Favour"]

[FBIS Transcribed Text] As New Zealand politics fragments into a bewildering collection of new parties with unlikely names looking for a "brand" under the imminent MMP [mixed member proportional] system of voting, an historical question arises. Can Mr Jim Bolger's lame-duck government see out its full term?

The National Government must walk a tightrope for the next 16 months merely to stay in office, let alone pass anything but routine laws.

Last week's launch of the seven MP-United Party means National has just 43 MPs [members of Parliament] it can count on in a 99-seat Parliament. With the help of friends, it can still win votes of no confidence as it did last week. But for how long? The launch of United took five MPs, all but one of them a backbencher, out of the National caucus and they want to flex their muscles.

"We actually decide what happens (in Parliament)," promised leader Dr Clive Matthewson, who defected from Labour, explaining that United would vote issue by issue.

That means United wants access to Cabinet papers and other privileges normally accorded only ministers with portfolios. So far, United's has been the shrewdest and certainly the most stunning breakaway.

It caught the media completely by surprise. In other MMP-style electorates parties of the middle usually do very well as coalition partners. Though United is the single biggest group so far, it is by no means the last. The launch of a green party is imminent.

Former prime minister and Labour leader Mr Mike Moore, estranged from his own increasingly left-wing party, is almost certainly on the brink of announcing his own breakaway centrist Labour group. Sir Roger Douglas's no-tax ACT New Zealand is actively recruiting MPs from both Labour and National. And Maori leader Sir Graham Latimer has said it's time for an Aotearoa (Land of the long white cloud) party to snare the Maori vote, although his mantle has been somewhat tarnished by recent convictions for tax evasion.

Stewing in this political ferment is the Prime Minister, Mr Bolger, who has so far done an adroit job. He has been conciliatory and even welcoming to the defections from National for the obvious political reason that he needs them.

So far it has paid off. On key votes his former colleagues in Right of Centre and Christian Heritage have supported the Government. National held a Sunday meeting two weeks ago to discuss the Government's growing dilemma and Mr Bolger's strategy will be to earn marks from voters for doing his utmost to keep the show on the road.

It's now Labour leader Helen Clark's turn to cope with defections. The departure of two MPs to United, both of them because they are uncomfortable with Labour's increasingly leftish stance and its negotiations with the "party of welfare", Alliance, is a blow for her.

It obviously weakens Labour's voting power but could force her into the bear's embrace — an albeit tense post-election coalition with Alliance leader Mr Jim Anderton. Alliance is a backlash party that bleeds for the "victims of reform". Its policy is firmly Muldoonist and highly interventionist, and ominously it's now out-rating Labour in the polls.

Both National and Labour hope that its bubble will burst. On at least one well-informed prediction, Mr Anderton has an outside chance of becoming Prime Minister in a Labour/Alliance coalition government provided he stays up in the polls.

As one party source said, "Foreign investment would flee New Zealand and we'd be in crisis." The expression "shifting sands" hardly covers this highly unstable scenario. But does it all imply a premature end to National's three-year term?

Not according to most observers who point out that National has done all the long-term work on the economy and can sit on its legislative hands, quietly surviving no-confidence motions from Alliance's Mr Anderton.

This "policy paralysis", as another former prime minister and constitutional authority, Sir Geoffrey Palmer, described it this week, isn't helpful for the nation but it's better than an early election which would make overseas investors nervous.

Sir Geoffrey, an astute observer of The Beehive, assesses that United gives Mr Bolger a much better shot of lasting a full term and even of reviving policy.

That's partly because the Government no longer controls the influential select committees. It can rustle up the numbers in the House, Sir Geoffrey pointed out, but it can't dominate policy in the backrooms and that could

prove dynamic for decision-making in a roundabout way. Also very much in National's favour is that everybody is looking for the elusive middle ground which the Government still dominates.

As Sir Roger told THE AUSTRALIAN FINANCIAL REVIEW, the new parties don't really have a brand. The United Party, he says, "is made up of generally middle of the road MPs trying to find a new role for themselves. They will make up policy as they go". Reporters came away from United's first press conference with the same impression.

United claims to represent mainstream New Zealand, which is pretty much the same sector of the electorate that Right of Centre or Roc, Christian Heritage, even Labour and Alliance claim. A nation of just 3.6 million people doesn't have a lot of political niches to exploit.

The NZ HERALD's John Armstrong described United's "verbal struggle" to outline even its defining principles let alone policy. "On all scores, United starts at zero," he added. As long as New Zealand politicians continue to play musical chairs, Mr Bolger looks pretty safe.

Figures Show Slow Economic Growth Rate

BK1807022695 Sydney THE AUSTRALIAN
FINANCIAL REVIEW in English 6 Jul 95 p 58

[From "The World in Review"]

[FBIS Transcribed Excerpt] New Zealand's gross domestic product (GDP) rose 0.9 per cent in the first quarter of 1995 and rose 6.0 per cent from the year-earlier period, Statistics New Zealand said.

The previously reported GDP figure for the fourth quarter of 1994 was 0.8 per cent and was revised to 1.1 per cent.

The agency said the figures showed a slowing of growth in the New Zealand economy. Economists said the figures "confirm a turning point" to lower growth rates in New Zealand.

Using the past two quarters as a rough guide, growth in New Zealand is now heading for a 4.0 per cent annual rate. But because the GDP figure in New Zealand lags so far behind the actual economy, economists are saying that the second quarter GDP figure will show the economy slowing considerably more than the 4.0 per cent figure. [passage omitted]

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